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# The COMMERCIAL and FINANCIAL CHRONICLE

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## London Comment

By HERBERT M. BRATTER

*(Special Cable Dispatch)*

### Meeting of International Chamber of Commerce—The End of Lend-Lease Aid to Britain—UNRRA's Prospective Resources Exhausted—Lord Keynes Continues as British Treasury Adviser.

Herbert M. Bratter

LONDON, ENG., Aug. 15—Arriving in London for the opening meeting of the International Chamber of Commerce Council, Winthrop W. Aldrich, Chairman of the Chase National Bank of New York, told the representative of the "Chronicle" "that it is very important that this meeting is being held now and that business men should get together to foster trade and prepare to cooperate with the Social and Economic Council of the United Nations Organization." "Our immediate task here," he said, "is

(Continued on page 745)

**Index of Regular Features on page 760.**

## Impact of the National Debt Upon Banks and the Capital Market

By SIMEON E. LELAND*

Professor of Government Finance, University of Chicago

**Dr. Leland, Continuing His Analysis, States That Government Securities Will Dominate Investment Market. As Principal Borrower, Government Will Be in Position to Control Interest Rates, and Lower Rates on Governments May Be Expected Because of Banks' Large Holdings. Holds That Banks, Though Relying on Governments for Income, Can Extend Commercial Credits Because of Their Liquid Position, and That "Ample Credit Will Be Supplied." Sees No Early Debt Redemption.**

### PART II

### Investment, Private Borrowing and Interest Rates

Simeon E. Leland

Prior to World War I, public securities held a relatively unimportant place among the debt instruments used to finance both the public and private economy of the United States. In 1916, the total debt instruments, public and private, then outstanding, amounted to about $75,000,000,000, of which less than $6,000,000,000, or 7.8%, were composed of Federal, State and local securities. Private debt obligations, long- and short-term made up of corporate bonds, farm and urban real estate mortgages, debentures, etc., but excluding

(Continued on page 752)

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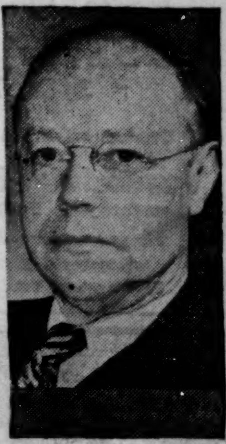
*This is the second and concluding part of Professor Leland's address before the Mortgage Bankers Farm Seminar, Purdue University, Lafayette, Ind. The first section was published in the "Chronicle" of Aug. 9th.

## Full Employment And Government Spending

By HON. ROBERT A. TAFT*

U. S. Senator from Ohio

**Senator Taft Approves Feature of Wagner "Full Employment" Bill Which Provides for Comprehensive Planning and Thought by the President and Congress on Future Economic Conditions, but Disapproves of the Provisions for Unlimited Government Spending to Attain Full Employment. Says "Most Necessary and Immediate Step" Toward Prosperity Is to Restore Freedom to Individuals and Business, and Decries Government Spending and Increase in Public Debt as Leading to Centralized Power Without Remedying Depressions. Wants More Liberal OPA Policy.**



Robert A. Taft

No Congress has done more work in seven months or work of more outstanding importance than the Congress which has just adjourned. But in our absorption in foreign affairs and foreign nations we have almost completely neglected the vital domestic interests of the people of the United States. When Congress returns it should undertake a systematic planned legislative program designed to bring about progress, prosperity

(Continued on page 759)

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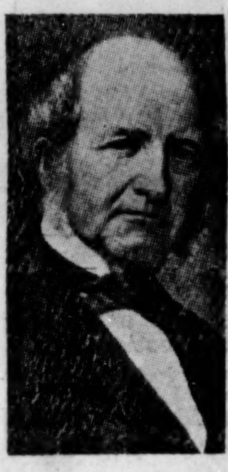
*An address by Senator Taft over the Columbia network on the radio program series "Congress Speaks," Aug. 7, 1945.

## N. Y. Cotton Exchange Has Diamond Jubilee

**Largest and Oldest Organized Exchange for Cotton Futures Trading Marks 75th Anniversary on August 15. The "Chronicle" in Issue of Sept. 24, 1871, Notes That Its Establishment Was Effected After Long and Patient Discussion. Importance of Exchange's Facilities for Hedging Emphasized.**

William H. Koar
Present Head of
NY Cotton Exchange



Stephen D. Harrison
Exchange's First
President, 1870

On Aug. 15 the New York Cotton Exchange celebrated its 75th birthday. When organized in 1870, it was the pioneer as well as the largest organized cotton exchange in the world, antedating those of New Orleans and Liverpool.

For many years prior to the Civil War, cotton marketing had been carried on by the simple method of private transactions between buyers and sellers. The large risks in sudden price changes involved in this method were then to a large degree offset by the prevailing wide margins between the price of the product on the farm and the

(Continued on page 742)

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# Some Federal Reserve Officials On Gold and Fiat Money

**By WALTER E. SPAHR**

**Professor of Economics, New York University, Executive Secretary, Economists' National Committee on Monetary Policy**

**Professor Spahr Quotes Extracts From the Testimony and Writings of Marriner S. Eccles, Beardsley Ruml, and John H. Williams as Giving the Observations and Doubts of Federal Reserve Officials Regarding the Validity or Usefulness of Gold as a Monetary Standard. Holds Their Views in Respect to the Alleged Unimportance of Gold in Our Currency System Are Counter to the Teaching of Experience and Opposed to the Conclusions of Careful, Objective and Reputable Scholars and Remarks That One Rather Expects to Find Monetary Demagoguery in Congress Than Among Men Holding Key Positions in the Federal Reserve System.**

Dr. Walter E. Spahr

Some high officials of the Federal Reserve System have recently made some observations regarding the lack of value or usefulness of gold that deserve attention. Considering their authorship, the views expressed are disturbing. As the following quotations will reveal, they are, in their essentials, neither advanced, nor new, nor enlightened. Instead, they are old and fallacious and dangerous — as old, as unsound, and as dangerous as inconvertible paper money itself.

### Eccles' Views

Marriner S. Eccles, Chairman of the Board of Governors of the Federal Reserve System, said at hearings before the Committee on Banking and Currency, United States Senate on S. 510 (Feb. 20, 28, and March 7, 1945): "We are the only country left that still has the archaic idea of maintaining a gold reserve back of the currency" (p. 18). He said further: ". . . Gold is not needed for domestic circulation; and it is needed as reserves against notes and deposits only to the extent that we choose to impose requirements on ourselves. The British, the Canadians, the French, and others have eliminated required reserves altogether."

Senator Murdock of Utah asked Mr. Eccles: "Do you advocate, Governor, that we could very well in this country suspend the reserve requirement altogether?"

(Continued on page 748)

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## Kenneth Campbell Is With Buckley Bros.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Kenneth E. Campbell has become associated with Buckley Brothers, 530 West Sixth Street. Mr. Campbell was previously with Quincy Cass Associates and prior thereto was an officer of Fox, Castera & Co.

## Rejoins Conrad, Bruce Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**William C. Walker** has rejoined with **Conrad, Bruce & Co.**, 530 West 6th Street. Mr. Walker in the past was with White, Wyeth & Co., and was trading manager for Conrad, Bruce & Co.

# "How Can We Avoid Another Depression?"

**Stenographic Report of Theodore Granik's "American Forum of the Air" in which Robert Nathan, Leon Henderson, George Terborgh and Dr. Emerson P. Schmidt Give Their Views on a Reconversion Program to Avoid Post-War Depression**

Theodore Granik

Robert R. Nathan

On Aug. 7, on the American Forum of the Air, founded 17 years ago by Theodore Granik, Washington attorney and moderator, four prominent aconomists discussed the question, "How Can We Avoid Another Depression?" Those participating in the discussion were Robert Nathan, Director for Reconversion, Office of War Mobilization and Reconversion; Leon Henderson, former OPA Administrator and Chief Economist, Research Institute of America; George Terborgh, Research Director, Machinery and Allied Products Institute, and Dr. Emerson P. Schmidt, Director of Economic Research, United States Chamber of Commerce. Because of the timeliness of the subject, the "Chronicle" prints below the stenographic report of the discussion:

**Chairman Granik:** Good evening.

If the Japanese War should end tomorrow, would a depression be inevitable? In economic circles, at business conferences and in government, this question is far from hush-hush.

There are experts who say, "Yes, we have failed to plan for emergency reconversion of our war plant to peace; therefore we must suffer the consequences of economic chaos."

There are others who believe firmly that American business ingenuity can avoid chaos if only given a free hand.

In various agencies of government, reconversion has become the problem of the immediate future.

Already the issues are being outlined; groups are beginning to assert themselves and the world of tomorrow is taking shape. Must

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# A Champion Needed!

## New NASD By-Laws Should Be Challenged and Legality of Maloney Act Determined. Public Welfare and That of Securities Industry Adversely Affected by Onerous Regimentation. Opportunity for Existing Voluntary Associations or Individual Dealers and Brokers to Come to Aid of Investment Industry. Public Temper Requires Immediate Action.

For the public and for the securities industry it was a sad day when the Maloney Act became a law for this gave birth to the National Association of Securities Dealers.

Prior to the passage of the Act, during the course of legislative hearings, great doubt was expressed concerning its feasibility and its effect upon our free institutions. It is now plain in the light of NASD performance that these fears were sound.

We were about to say that the National Association of Securities Dealers had outlived its usefulness. On second thought, we believe this body never had any genuinely useful purpose.

As now, so prior to the Maloney Act, the duty to police fraudulent and manipulative acts and practices and to promote just and equitable principles of trade was within the jurisdiction of the Securities and Exchange Commission.

The partial siphoning off of those duties to the NASD via the Maloney Act and the NASD methods of regimentation have been repeatedly criticized by us. Our position remains unchanged and is reemphasized at this time because of the daring and insolent package party that the Governors handed the member firms in the vote on the recent amendments to the NASD By-laws.

Emphasizing only the then proposed new article dealing with registered representatives, the Governors horned in—without a separate opportunity on the part of the members to vote thereon—a new amendment to Article VII, Section 1 of the By-laws permitting the Board to submit in the future to the member firms and their representatives alleged rules of fair practice "to provide safeguards against unreasonable profits or unreasonable rates of commission or other charges * * *."

The failure to afford member firms of the NASD an opportunity to vote separately on the By-law amendments dealing with separate subject matters is an offense which cannot be readily forgiven, an offense which, as we pointed out in our recent editorial, should render nugatory the whole proceeding. This, the SEC still has an opportunity, nay, a duty, to do.

In the matter of "The Rules of the National Association of Securities Dealers, Inc.," certain issues were raised by the petitioner, the **Securities Dealers Committee**, which are par-

(Continued on page 738)

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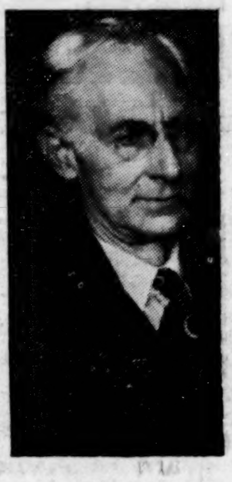
# The Capital Levy Plan for the Redemption of National Debts

### By A. M. SAKOLSKI

**Writer Refers to Previous Proposals and to Hugh Dalton's Plan to Extinguish National Debts by Heavy Levies on Private Property, and Points to Recent Proposals of the French Provisional Government as a Recrudescence of the Idea. Holds That Though Theoretically It Is Ideal in Its Application, It Is Highly Inequitable and Difficult to Apply in Practice. Sees Grave Danger of Currency and Credit Disturbances as Well as Other Economic Disruptions in Excessive Taxation on Wealth.**


A. M. Sakolski

After each of the long and protracted wars of the last two centuries, there have followed long and controversial discussions of the accumulated national debts that have arisen from the conflicts. After the Napoleonic wars the burden of the British national debt was regarded as a serious economic problem. Even the renowned classical economist, David Ricardo, argued that means should be taken for its drastic reduction, and he even went so far as to recommend a sort of general levy on wealth to eliminate it.

After our own Civil War there were some dire forebodings regarding the accumulated national indebtedness, and in scattered niches of political comment there were even recommendations for some form of repudiation. It was proposed that the "bloated bondholders" should be forced to forego payments of interest and principal in gold as they had been promised, and instead, depreciated "greenbacks should be forced down their throats." In 1869 Isaac Butts, an upstate New York politician and one-time editor of the Rochester "Daily Union and Advertiser," wrote a pamphlet with the bold title "*Brief Reasons for Repudiations Applic-*

(Continued on page 744)

# Bull Stampede—Accent on Inflation

### By EDSON GOULD
### Smith, Barney & Co.

**Security Analyst Holds That Logic Behind the Market's Bullish Interpretation of the End of the Japanese War Is: (1) Change of Government Policy From Rigid Regulation of Business, (2) Probability of Early Tax Relief, and (3) a Peacetime Yield Ceiling on Stocks of 3% Against a Wartime Yield of 4%. Contends Long-Range Outlook for Market Is Bullish, and That "a Fully Invested Position Seems Warranted at This Time."**

Edson Gould

There is logic behind the market's bullish interpretation of the termination of the Japanese war for these reasons:

(1) A quick war-ending will necessitate governmental encouragement of business and profits, will not permit time for experimentation with rigid business regulations and restrictions.

(2) Tax relief will thereby become an immediate prospect.

(3) The yield ceiling for stocks in peacetime is around 3% vs. about 4% in wartime. Dow-Jones Industrial equivalents are 225 and 170, respectively. Thus with peace the scope for advance for the market would be materially increased.

### Governmental Policies

The chief reason for a cautious attitude toward the stock market

(Continued on page 739)

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# British Elections and The Stock Market

## Mr. Babson Discusses Importance of Churchill's Defeat on Stock Prices

BABSON PARK, MASS.—When Churchill's defeat was announced by radio, the stock market started to crumble. When, however, investors began to realize that it would take years for England to get its socialistic plans into action and perhaps then would fail to succeed, these same people began to buy back securities. The market has since returned to normal. There are several reasons for this.

Roger W. Babson

**England Sure to Inflate**

I have long thought that inflation is inevitable; in fact it is going on every day. Nothing can stop it except a great spiritual awakening which will cause us to put the good of all before our own selfishness. I, however, now see no sign of this. Hence the United States is headed for higher prices, higher wages, higher rents and higher stock values. The people of the world are "on the march" demanding inflation.

I am more sure of this than ever since the Labor Government of England won by such a large majority. This will enable them to take over the Bank of England and issue all the money they need for their socialistic experiments. Whether or not these will be a success, no one now knows. Russia is still in the test tube, notwithstanding what her friends say. But for the next few years, while the experiment is being tried, jobs should be plentiful and money should flow like water. Stocks should sell higher, not only because of their intrinsic merit, but because wise Englishmen will shift from their English stocks to American stocks.

### Stocks Not Too High

Compared with panic prices of ten years ago, the stock market now seems high to many conservative people. This is because the stock average was only 30 in 1932 compared with 110 today. Yet, only as far back as 1937, these same stocks sold at about 130, while in 1929 they sold for 280. With the British Government and the Bank of England backing inflation, some stocks may well again sell at 1929 highs.

"What should I buy?" you ask. Well, the safest procedure is to diversify among a wide list, buying the leading stocks in fifteen or more industries, omitting the rails, airplane manufacturing and shipping stocks. If you pinned me down to three groups I should advise the **Merchandizing Group**, especially the variety chains, the **Insurance Group**, especially the casualty stocks, and well-managed **Real Estate**. These are the groups in which I am investing my own money.

### Billions Awaiting Investment

Fifty-five years ago there were only about one or two billions of "loose change" in pockets and cash drawers. It took about fifty years to build this up to seven billions. During the past five years this loose change has jumped from seven billions to twenty-eight billions! This means it has quadrupled in five years. During this same five years bank deposits have doubled and are now over $100,000,000,000.

This nearly equals the assessed values of every acre of land and every building of every kind in the entire United States. When one considers that there are no more securities available for purchase than there were five years ago, it seems as if higher prices for stocks and land are inevitable. Sooner or later this loose change is going to seek investment. Churchill's defeat should hasten the day.

### Low Interest Rates

Let us consider interest rates. It was not long ago that government bonds paid over 4½%; savings bank accounts paid 3½%; while we got 2% on our checking accounts. Today these interest rates are down to 2%, 1% and zero,—lower than ever before in the history of the world.

Yet anyone can buy today good corporation bonds to yield 3½% and good stocks to yield more. People should soon get tired of leaving their money idle in the banks at 1% or at no interest when they can get so much more from good securities. When the public realizes this, the demand for good dividend-paying stocks should greatly increase.

### Advice to Young People

One thing which I must mention in closing is this:—The British elections will cause most of Europe to follow with socialistic experiments. The movement will temporarily cast its shadow on the United States. This means that every family should own a little fertile land and every young person should become an expert in some profession, art or trade.

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(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Guy M. MacVicar has become associated with North American Securities Company, Russ Building. Mr. MacVicar in the past was with Lester & Co. and prior thereto was in charge of the Los Angeles office of Distributors Group, Inc.

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# Sees No Large Unemployment

## Ira Mosher, NAM Head Asserts That a Very Small Percentage Need Be Out of Work More Than Thirty Days. Says Reconversion Already Under Way and Employment in Manufacturing Will Not Drop Below 1939.

Jobs—lots of them—for the nation's peaceful millions were forecast on Aug. 16 by Ira Mosher, President of the National Association of Manufacturers.

Ira Mosher

"No one can look at the needs and wants of Americans at peace without realizing that it will take tremendous manpower to produce, distribute and service the goods that people everywhere want to buy," said Mr. Mosher.

"The needs of other nations are even far greater than our own," he continued, "and America already is looked to for the materials that will rebuild the devastated areas of other parts of the world. We can't manufacture and distribute goods without workers, and it is my firm conviction that production for peace is going to produce just as prosperous, and a far more satisfactory and stable economy, as did production for war."

Mr. Mosher made it clear that in the transition period from war to peace production many workers in many industries would be faced with problems of adjustment, but he predicted that a very small percentage need be out of work for more than 30 days.

He said he based these forecasts, not on guesswork, but on the results of a survey recently conducted by the NAM among 1,700 of its 13,000 member companies, as well as upon Department of Commerce reports that 7,000 industries anticipated spending $9 billion for new plants and other improvements for peacetime production.

"Even at that period of reconversion when the most people are out of work," said Mr. Mosher, "employment in manufacturing will not drop below that of 1939."

He emphasized that manufacturing, alone, would supply only about one quarter of the nation's jobs, but pointed out that production in factories was the key to scores of other types of jobs in transportation, wholesaling, retailing and services, as well as the principal factor in the markets for the products of the farm.

The NAM survey upon which Mr. Mosher based his predictions revealed that 61% of our manufacturing concerns have practically no reconversion problem and will face no delays on that account. Furthermore, only 11% of all manufacturers will require more than 30 days to get started on peacetime production.

The great majority of layoffs due to reconversion will involve unemployment of very short duration—varying from one day to four weeks. The number of workers who might be unemployed for more than 30 days amounts to less than 1½ millions, according to the survey.

A careful analysis of the time required to reconvert in situations where the changeover will take more than 30 days, indicates that most of these 1½ million workers will be back on the job within 12 weeks from the start of reconversion.

Government figures on the number of employees in manufacturing reveal the fact that employment in this field has already declined from the wartime peak by approximately 3 million persons. This means that a large part of the readjustment in industrial jobs has already taken place. The government records show 17.2 million employed in manufacturing at the peak of war production in November, 1943. This total was down to 14.6 million by V-E day and has declined further since then.

Estimates of post-war employment in manufacturing range between 14 and 15 millions based on the NAM survey, which included the post-war plans of more than 1,700 companies. The fact that recent employment figures came so close to the estimated post-war levels in the manufacturing field, suggests that further readjustments in this sector of business will be temporary.

"The employment changes in prospect in the coming months will involve the return of many housewives to the home and a good many young men and women will go back to school," Mr. Mosher predicted. "These will be voluntary withdrawals from industry. Large numbers of patriotic citizens have neglected their homes and education to get into war work and produce materials for our armed forces. The high proportion of these people will find it necessary or desirable to go back to their normal pursuits. On the other hand, thousands of war veterans will be reinstated in their old jobs and many will seek new ones.

"There also will be a shift of workers out of the factory and back to various non-manufacturing industries from which many of them came. Industries such as farming, service industries, trade and some branches of transportation such as the airlines, are widely expected to take up any residual slack in manufacturing employment or any overflow from that source. Small business enterprise and partnerships are expected to increase substantially."

# NY Chamber Opposes Royalties to Unions

A warning that the collection of royalty payments by labor unions on the commodities or goods they produce or handle would, if generally applied, create a "super-government" which in time would destroy the American economic system, was sounded in a report that was recently made public by the Chamber of Commerce of the State of New York.

The report, which originated in the Special Committee on Industrial Problems and Relations, urged enactment of the Bailey bill (S. 754) which is designated to end the so-called Petrillo tax on musical records and also would be a bar against the proposal of John L. Lewis, president of the United Miner Workers, to collect a royalty tax of ten cents on each ton of coal mined.

Pointing out that such royalty taxes affect the public's pocketbook the same as a sales tax on manufactured or processed goods, the report said:

"Royalties for the benefit of labor unions' treasuries are really a sales tax for private benefit, and cannot be supported on any ground of public policy. Business in the future will be finding itself subject to a super-government, and the general public paying the bills, while millions of dollars are collected by the unions over which no control whatever is exercised either by the government or by the members of the union.

"If royalty taxes are placed on coal, iron, ore, steel production, tire production and numerous other articles by each union concerned, the collection of royalties will assume such vast proportions that our economic system will be destroyed. Furthermore, as matters stand now, the money collected by unions can be used for new drives for unionization, for financing strike benefits, for political campaigns, for labor lobbiers in Washington, all to an extent which would be against public policy."

Lewis R. Gwyn, Chairman of the committee which drew the report, will ask its approval at the monthly meeting of the chamber.

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# Dealer-Broker Investment Recommendations and Literature

*It is understood that the firms mentioned will be pleased to send interested parties the following literature:*

**I. C. C. Comment on Transportation Statistics** — Memorandum Vilas & Hickey, 49 Wall Street, New York 5, N. Y.

**News Review**—Current discussion of certain bank and insurance issues—Huff, Geyer & Hecht, 67 Wall Street, New York 5, N. Y.

**122 Non-Callable Preferreds**—Statistical tabulation—Stroud & Company, Inc., 123 South Broad Street, Philadelphia 9, Pa.

**Preferred Stock Guide**—Data on unlisted public utility preferred and common stocks—G. A. Saxton & Co., Inc., 70 Pine Street, New York 5, N. Y.

**Railroad Situations**—Three attractive situations—contained in the current issue of **Railroad Securities Quotations**, issued by B. W. Pizzini & Co., 25 Broad Street, New York 4, N. Y.

**Twelve Speculative Stocks**—Selling between 1 and 10 which appear likely to participate in the return to peacetime economy—Brand, Grumet & Ross, 120 Broadway, New York 5, N. Y.

Also fifteen stocks in the same category selling between 10 and 30.

**Aetna Life Insurance Co.**—Memoranda—Chas. W. Scranton & Co., 209 Church Street, New Haven 7, Conn.

**American Forging & Socket Company**—Analysis of current position and outlook — De Young, Larson & Tornga, Grand Rapids National Bank Building, Grand Rapids, Mich.

**American Light & Traction**—Discussion of stock as a dividend payer—**H. Hentz & Co.**, 60 Beaver Street, New York 4, N. Y.

Also available are a memorandum on **Western Maryland Railway Company**, circulars of **Research Comment** and the **Fortnightly Investment Letter.**

**Arden Farms Co.**—Circular on growth and outlook—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

**Atlanta & West Point Railroad**—Circular—Adams & Peck, 63 Wall Street, New York 5, N. Y.

**Avoyelles Parish, La.**—Consolidated School District No. 1 non-callable bonds—memo on new issue—John Dane, 516 Canal Building, New Orleans 12, La.

**Berkshire Fine Spinning**—Descriptive circular—Scherck, Richter Company, Landreth Building, St. Louis 2, Mo.

Also available are memoranda on **Chicago, Wilmington & Franklin Coal, Chicago & Southern Air Lines, Collins Radio, Ely & Walker Dry Goods Common, Kansas City Public Service Preferred and Common, La Plant Choate Manufacturing Preferred & Common, Old Ben Coal Common, Steel Products Engineering,** and **Universal Match.**

**Boston Terminal** 3½s of 1947—Analytical report describing reorganization status and proposed plan—**Greene & Co.,** 37 Wall Street, New York 5, N. Y.

**Central Railroad of New Jersey Bonds** — A study — Newburger &

(Continued on page 736)

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# Public Utility Securities

## How Will Atomic Energy Affect the Utilities?

In the "Chronicle" of May 17, 1945 (page 2181) the writer, in a discussion of potential scientific developments which might adversely affect the electric light and power industry, made the following statement: "Only the development of atomic power, in a form adaptable to small household units, would be likely to put the utilities completely out of business. And this is a scientific dream which, even with our present acceleration of engineering progress, seems unlikely for another century or so. All our present devices for dealing with destruction or transmutation of elements (breaking up the atom and remolding it) require huge pieces of apparatus and tremendous application of electric power. Small and inexpensive units producing atomic energy seem out of the question until we have gone a long way further toward understanding what makes nature 'tick.'"

The revelation that our scientists, teamed with British research and supplied with inexhaustible Army funds and resources have solved the secret of mass atomic disintegration, is of vast interest to American business. President Truman in his initial statement indicated that in the indefinite future the new product might replace or compete with coal, hydro-electric power, etc. But obviously the matter of dollars and cents cost is as important as the scientific development of the new power source.

Uranium is a very refractory metal, difficult to obtain in pure form, and apparently not too plentiful. The refining cost is high, and the process of separating the rare and unstable 235-isotope molecules from those of higher weights is perhaps still more expensive. The total cost may well exceed that of obtaining radium (itself a product of the slower breakdown of uranium atoms). If the final product should cost thousands of times as much as coal, it might not be commercially worthwhile to use it in place of coal even though it delivered thousands of times as much energy. Its greatest use would seem to be in aviation, assuming that it could be adapted to replace aviation gasoline; and possibly later in automobiles.

Central power stations would probably be the last to adopt it, since the question of weight-saving would be much less important than in moving vehicles. President Kellogg of the Edison Electric Institute recently stated, "Adaptation of atomic power would cause no change in the transmission and distribution facilities of electric companies, in which the industry has two-thirds of its investments. Even before considering this potential source of energy we must have the following information: First, the cost of producing it compared with the cost of the same amount of energy derived from coal; second, the ability to control the rate of release of energy from the atomic breakdown so as to make practical use of it, and third, the amount of uranium that can be obtained practically."

If the new "fuel" proves to have enormous possibilities for cheap production of electricity, it might greatly accelerate the use of electricity in household appliances of all kinds. If residences could use electricity as cheaply as industry (of course the distribution cost is greater), house heating and air conditioning, with automatic controls, would soon be available to the average home-dweller. Farmers could make increased use of electric power to run their farms and reduce labor costs. While utilities might have to scrap some of their fuel-burning equipment and substitute new apparatus, this could be done gradually. The cost of scrapping obsolete facilities could probably be met from the increased amount of business in residential distribution.

The utilities might lose some industrial and commercial business as smaller sized units become available for generating electricity from the new fuel. But it seems highly unlikely that home owners would want to use the new "fuel" in their own homes to produce electricity because of its dangerous character and the heavy cost of apparatus designed to use it. We don't use explosives to run the family furnace, despite the fact that they could deliver many times the amount of energy obtainable from the same weight of coal, and for the same reasons we would not want to employ a super-explosive.

It is possible, of course, that further research will open the way toward use of other heavy metals instead of uranium, as a source of intense heat through atomic disintegration. But most of the very heavy metals are rare, with the exception of lead,

(Continued on page 757)

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# Tomorrow's Markets Walter Whyte Says——

**Short-term indications point to revival of strength. Long-term signs are either completely confusing or flatly bearish. Until stocks held break critical levels, retention is advised.**

By WALTER WHYTE

When last week's column was written there was no indication of any of the three pieces of news which developed before the week was over. Russia's entrance into the war wasn't so surprising as some believed. Before V-E Day James Byrnes, in a reply as to when he thought the Soviets would come in, said: "Ninety days after V-E Day." It was that number of days exactly that Stalin declared war against the Nips.

* * *

The Jap peace talk was another piece of news which came late last week. But that, too, could not be classified as completely unexpected. The

(Continued on page 735)

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## Tomorrow's Markets Walter Whyte Says—

(Continued from page 734)

only real unexpected event was the atomic bomb. And what effect that will have on security markets is impossible to foresee.

* * *

I recall from my college physics how my instructors used to weave fantastic forecasts if, as and when the atom was split. Well, we did it. And now the fairy stories I heard years ago appear closer to realization. But to imagine that either a single corporation or a group of corporations will alone benefit from this atom splitting shows a gross ignorance of what the whole thing means.

* * *

The first two bombs dropped on Japan were experimental. Their destructive power was terrifying. Yet, that same power now released in a split-second can be harnessed, for peace uses, and released gradually to turn engines, dynamos and other involved mechanisms that make up our modern society. To say that one group or one nation can control such a force is flying in the face of realism.

* * *

We know that Germany was on the eve of the atomic-splitting discovery. We also know that England and Canada have shared in the American research. It is hard to believe that Japan or Russia doesn't have physicists who aren't as close to solving the atomic secret. We just managed to get there a few steps ahead.

* * *

All this leads to the belief that the stock market, up against a cataclysmic change such as it never had to weigh before, doesn't know what to make of it. The public's first impulse is how to profit by it. It immediately jumps on the stocks of the companies who worked on it in the belief that only such companies will benefit. I'm just thinking aloud, but I can't imagine how such fantastic power can be vested in any one company or group of companies. The atomic application makes all present methods completely obsolete. The assembly lines, blast furnaces, everything we have lived with and by, now become extinct. How can the market, which represents mass opinion, gauge its application? In fact, I think that everything the market does from here on will be completely new, with no relation to fact as we know it today.

* * *

But before I scare you into paralysis, allow me to point out that all of the above is long-term in character. For the short-term we still have to use the old yardsticks of market action and reaction.

* * *

Last week we saw the rails take a nose dive while the industrials climbed up. The end of the Jap war was obviously responsible for the rail decline. From the way they were sold Friday it looked as if everybody thought they were war babies. Well, they'll be making less from here on, that's true, but they have such big excess profit taxes that they can take a big cut in gross and still have larger net than they showed up to now.

* * *

In any case, you have Chicago & Northwestern at 40½ and until it breaks 37, hold on. Atlantic Coast Line, bought at 66½ should also be retained, unless the stop of 64 is broken. You also have some industrials which I see no reason to sell. Hold A. M. Byers bought at 19, stop 16; Jones & Laughlin at 35, stop 33; White Motors bought at 29½, stop 28, and Steel at 56, stop 65. Also keep buy order in Paramount at 29½-30½, stop 28½.

* * *

More next Thursday.

—Walter Whyte

*[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]*

## Municipal News And Notes

### Florida Cities Report Favorable Fiscal Status

The Florida "Municipal Record" contains a number of reports relative to favorable fiscal developments in the State's communities. The new budget for St. Petersburg, for example, calls for a slash in operating expenditures of $561,863 and the tax rate for the fiscal year is indicated at 21 mills, a reduction of 4 mills from the previous levy.

**The "Sunshine City," it is further noted, has piled up the tidy sum of $1,280,000 in two funds for post-war improvements, thus putting into practice the famed "rainy day" injunction.**

* * *

Despite an estimated loss of $65,000 in revenue through failure of the Hialeah race track to operate last Winter, the town of the same name began its new fiscal year on July 1 with a surplus of $52,000. The surplus, according to P. E. Hackney, City Clerk, resulted from the action in putting more than 6,000 lots back on the tax rolls, which yielded about $110,000 in taxes.

The town, it is pointed out, has succeeded in restoring to the tax rolls all but some 30 of the original total of 6,041 lots which had reverted to the State or the Everglades Drainage District for nonpayment of taxes. The town acquired the properties at $1 a piece.

**Home building has been going apace in the municipality in recent months, more than 100 new structures with FHA financing having been constructed, with 63 being located in one subdivision where only one had existed for some time.**

* * *

With three large items added to the tax-exempt list, including the Gandy Bridge, at $834,300, which is now owned by the State, nevertheless, Hillsborough County's 1945 tax rolls show an increase of $4,965,964 over the previous year. Increased valuations on citrus grove properties accounted for most of the increase, according to County Tax Assessor W. S. Sparkman.

**Non-exempt property with taxes fully paid advanced in total valuation from $76,917,000 to $78,304,000. Homesteads, however, jumped from $51,225,000 to $57,504,000.**

* * *

An increase in assessed valuations of 39% and a reduction in the tax levy for the current fiscal year is the intelligence emanating from Lakeland's Mayor William P. Cade, and City Manager Charles Larsen. The present tax levy of 23 mills includes 17 for debt service and six for operating costs.

**City officials indicated that the debt service levy for the new fiscal year may be pared down to 13 mills. The operating levy will not be known pending adoption of the annual budget during the present month.**

### Georgia's New Constitution Approved by Electorate

A new constitution for the State of Georgia, replacing the 68-year-old document previously in force, was approved by the electorate on Aug. 7. In addition to providing a greater degree of "home rule" for the State's local governments, the new charter of basic laws also provides for the abolition of 1,000 local school districts and prohibits the establishment of any new independent city school systems. Henceforth, the county will be the school unit. Among the provisions of interest to local governments and to dealers and investors in Georgia municipals are the following:

Home rule for municipalities and counties is mandatory. The constitution contains a provision that the next General Assembly must adopt optional forms of home rule and submit them to the various counties and cities for acceptance or rejection in referendums; one of the optional plans must include the initiative, referendum and recall.

Cities and counties are permitted to make zoning laws, eliminating the need for local amendments to the constitution or legislative changes in municipal charters.

Political subdivisions are permitted to contract among themselves for exchange of services.

**Bonds may be issued on the approval of a majority of the registered voters in an election.**

**A 3% additional bonded indebtedness may be contracted for emergency purposes, but it must be retired within five years.**

**Counties and municipalities may issue revenue bonds to build or acquire electric and gas utilities.**

The State Legislature is authorized to provide methods for merging county and city governments.

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## Operations of FHA in Insuring Mortgages Gained In Year Ending June 30

The Federal Housing Administration's operations in insuring mortgages on existing houses was the largest in volume in five years during the 12-month period ending June 30, Deputy FHA Commissioner Earle S. Draper announced on July 14.

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# Real Estate Securities

## Park Central Hotel Should Benefit by Peace

Three-fourths of the 1,600 rooms in the Park Central Hotel are arranged in small suites with semi-housekeeping facilities. This feature, we believe should continue to attract capacity patronage.

Lack of housing facilities will be aggravated by returning soldiers and the convenience of a suite of rooms with hotel service will be in great demand.

This type of accommodation will also appeal to out-of-town buyers who will have to prolong their stay in order to have sufficient time to purchase enough merchandise to replenish their much depleted stocks. The suites will give them the opportunity of bringing their families with them.

The bond issue on the Hotel pays 4½% fixed interest and is known as 870 7th Avenue 4½% of 1957. Traded with the bonds is stock representing approximately two-thirds the ownership of the property. The bonds in the amount of $4,055,200 sell at approximately 80% and are junior to an institutional loan of $940,700 (reduced from $1,200,000 since 1942). This loan calls for $130,000 annually for interest (4½%) and amortization with 60% of the earnings after 4½% interest on the bond issue until the loan has been reduced to $900,000. This reduction should be effected this year (eliminating the extra 60% amortization on the 1st mortgage) and sinking fund operations should commence on the bond issue.

Gross earnings in the first half of 1945 was $82,840 lower than year earlier at $1,775,695. However, costs were cut and earnings for the bonds after first mortgage interest but before depreciation and federal income taxes, rose to $416,743 (10.27% on the bonds) from $391,021 (9.64% on the bonds).

The current price of 80 on the bond issue places a value of $3,244,000 for the bonds. Add to this the first mortgage of $940,700, makes a total value for the property $4,184,700 compared to an assessed value of $6,725,000. Original funded debt on the property was $10,878,000.

The hotel, occupying the entire block front of Seventh Avenue between 55th and 56th Streets, New York City, is but a short distance above Times Square with its theatre and amusement district and is easily accessible to the shopping and business sections of the city. Moreover, the buildings are relatively modern and well maintained (erected 1925 and 1927). The buildings are 31 stories high and contain a total of 1,600 rooms. In addition to its other features, the hotel contains a large indoor swimming pool.

# Dealer-Broker Investment Recommendations and Literature

(Continued from page 734)

Hano, 39 Broadway, New York 6, N. Y.

**Consolidated Cement Corp. Class A**—Bulletin on recent developments—**Lerner & Co.,** 10 Post Office Square, Boston 9, Mass.

Also available are circulars on **Central Iron & Steel, Kingan & Co.** and **Riverside Cement.**

**Consolidated Electric & Gas Co.** preferred and **Central Public Utility Corp.** Income 5½s of 1952—A study—Brailsford & Co., 208 South La Salle Street, Chicago 4, Ill.

**Consolidated Gas Utilities** and **The Chicago Corp.**—Circulars—Hicks & Price, 231 South La Salle Street, Chicago 4, Ill.

**Crompton & Knowles**—Descriptive memorandum — Buckley Brothers, 1529 Walnut Street, Philadelphia 2, Pennsylvania.

Also available are memoranda on **Gruen Watch** and **Textiles, Inc.**

**The Cross Company**—Analysis of condition and post-war prospects—F. H. Koller & Co., Inc., 111 Broadway, New York 6, N. Y

Also available are analyses of **Liquidometer Corp., Delaware Rayon, New Bedford Rayon,** and **Great American Industries.**

**Dunningcolor**—Descriptive circular—J. F. Reilly & Co., 40 Exchange Place, New York 5, N. Y.

Also available is a memorandum on **International Detrola.**

**Elk Horn Coal Corporation** and **Lawrence Portland Cement Co.**—Report on attractive possibilities for price appreciation in these two industrials—Morris Cohon & Co., 42 Broadway, New York 4, N. Y.

**Fort Pitt Bridge Works**—Memo on attractive outlook — Strauss Bros., 32 Broadway, New York, N. Y.

**Franklin Railway Supply Co.**—Analysis—W. J. Banigan & Co., 50 Broadway, New York 4, N. Y.

**General Industries Co.**—Recent report — **Mercier, McDowell & Dolphyn,** Buhl Building, Detroit 26, Mich.

Also available a report on **National Stamping Co.**

**Gro-Cord Rubber Company**—Statistical memorandum on post-war outlook—Caswell & Co., 120 South La Salle Street, Chicago 3, Ill.

**Hajoca Corp.**—Circular on interesting possibilities—Hoit, Rose & Troster, 74 Trinity Place, New York 6, N. Y.

Also available is a memorandum on **Thermatomic Carbon Co.** and a new analysis of **Panama Coca-Cola.**

**Interstate Co.**—analytical study—Kneeland & Co., Board of Trade Building, Chicago 4, Ill.

Also available a detailed report on **United Brick & Tile Company.**

**Kingan Company** — Descriptive circular—**C. E. de Willers & Co.,** 120 Broadway, New York 5, N. Y.

Also available is a memorandum on **Macfadden Pub. Inc.** and **Sterling Engine.**

**Libby, McNeill & Libby**—Interesting possibilities for semi-investment and speculation—Herzfeld & Stern, 30 Broad Street, New York 4, N. Y.

**Long Bell Lumber Co.**—detailed brochure for dealers only—Comstock & Co., 231 South La Salle Street, Chicago 4, Ill.

**P. R. Mallory & Co., Inc.**—Analytical discussion — **Steiner, Rouse & Co., 25 Broad Street New York 4, N. Y.**

**Midland Realization** and **Midland Utilities Common**—Memorandum—Doyle, O'Connor & Co., Inc., 135 South La Salle Street, Chicago 3, Ill.

**Midland Utilities and Midland Realization Company**—A study of Values and Distribution, prompted by consensus of opinion pointing to near-term liquidation of utilities and realization companies—Fred W. Fairman & Co., 208 South La Salle Street, Chicago 4, Ill.

Also available are brochures and statistical information for dealers on **Garrett Corporation and Magnavox Company.**

**Nashawena Mills**—Circular—Du Pont, Homsey Co., Shawmut Bank Building, Boston 9, Mass.

**National Radiator Co.**—Analysis, for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

**National Terminals Corporation**—circular—Adams & Co., 231 South La Salle Street, Chicago 4, Ill.

Also available is a memorandum on **Howell Electric Motors** and **American Service Co.**

**New England Lime Co.**—Circular—Dayton Haigney & Company, 75 Federal Street, Boston 10, Mass.

**New England Public Service Co.**—Analysis—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

**Pathe Industries, Inc.**—Study of current situation and post-war outlook—Amott, Baker & Co., Inc., 150 Broadway, New York 7, N. Y.

**Pittsburgh Railways** — Current study—**First Colony Corporation** 70 Pine Street, New York 5, N. Y

**Public National Bank & Trust Company**—Second quarter analysis—for dealers only—**C. E. Unterberg & Co.,** 61 Broadway, New York 6, N. Y.

**Purolator Products, Inc.**—Study of outlook and possibilities—Ward & Co., 120 Broadway, New York 5, N. Y. Also available are late memoranda on:

**Great American Industries; Electrolux; Brockway Motors; Scovill Mfg.; Alabama Mills, Inc.; American Hardware; Douglas Shoe; Southeastern Corp.; Detroit Harvester; Bowser, Inc.; Mohawk Rubber Co.; TACA Airways; American Window Glass.**

**Riverside & Dan River Cotton Mills, Inc.**—Discussion of interesting situation—Scott, Horner & Mason, Inc., Law Building, Lynchburg, Va.

**H. H. Robertson Co.**—Memorandum on reconversion outlook—Strauss Bros., 32 Broadway, New York 4, N. Y.

Also available a memo on **Stromberg-Carlson** and a leaflet of general market comment.

**"Rock Island"**—study of improved reorganization profit potentialities—McLaughlin, Baird & Reuss, 1 Wall Street, New York 5, N. Y.

**Schenley Distillers Corporation**—Brochure of articles they have been running in the Chronicle—write to Mark Merit, in care of **Schenley Distillers Corporation, 350 Fifth Avenue, New York 1, N. Y.**

**Seatrain Lines "A"**—Memorandum—J. W. Gould & Co., 120 Broadway, New York 5, N. Y.

**Serrick Corp.**—Current analysis on interesting outlook — Sills, Minton & Co., Inc., 209 South La Salle Street, Chicago 4, Ill.

Also a memorandum on the outlook for **H. K. Porter Co.**

**Simplex Paper Corp.**—report—White, Noble & Co., Michigan Trust Building, Grand Rapids 2, Mich.

**Standard Fruit and Steamship Corp.**—Discussion of interesting peace prospects of a company operating profitably under war conditions—Pitman & Company, Inc., Alamo National Building, San Antonio 5, Tex.

**Stromberg-Carlson Co.**—Statistical memorandum — White & Company, Mississippi Valley Trust Building, St. Louis 1, Mo.

Also available are data on **Mid Continent Airlines, Rohr Aircraft Corp., Ampco Metals, Inc.,** and **Pickering Lumber Corp.**

**Stromberg Carlson Company**—memorandum—Kitchen & Co., 135 South La Salle Street, Chicago 3, Ill.

**Vacuum Concrete Corp.**—Memo for dealers only—Pulis, Dowling & Co., 25 Broad Street, New York 4, N. Y.

**Wellman Engineering Co.**—Descriptive circular — Simons, Linburn & Co., 25 Broad Street, New York 4, N. Y.

Also available is a circular on **Fashion Park, Inc.**

**Wellman Engineering**—descriptive memorandum — Wm. J. Mericka & Co., Union Commerce Building, Cleveland 14, Ohio.

**York Corrugating Corp.**—Memo on current situation—First Colony Corporation, 70 Pine Street, New York 5, N. Y.

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# Clarksville, Tenn., Bank Advises Farmers

## Urges Caution Against Boom in Farm Prices and Adherence to a "One Crop Program." Points Out Six Tasks Ahead

In its July circular addressed mainly to farmers in its region, the First National Bank of Clarksville, Tenn., gives advice regarding the transition period from war to peace, and urges its clients to be cautious in making commitments "until a trend is developed which will show us with some certainty the way to what we may look on as the normal standards of the future."

"We who live out here in the country, in an atmosphere of plowing and seeding and harvest," runs the circular, "are giving serious thought to the changes which will likely take place at the close of the war. None of us can prophesy with any certainty. Prices of farm products may go up or they may go down. Income in the form of profits from farming operations may be better or it may be worse. Farm land prices can be either higher or lower. There are no accurate footsteps to guide us, so we must make plans to meet any unexpected change that might be unfavorable; and we also must be ready to take advantage of any favorable opportunities which might develop.

"There is only one course for us to follow. We must not speculate. We must not take too many chances. We must be strong in everything that counts as a protection against any business changes that might blow suddenly and forcefully like a tornado.

"We are agreed that when the war is over, and when some of the controls over our lives and markets are removed, that we, as farmers, may find it necessary to readjust our way of living and working, for a period of time, perhaps for several months, until a trend has developed which will show us with some certainty the way to what we may look on as the normal standards of our future. We wonder what normal will be. If we are prepared we can meet whatever changes take place without concern.

"We who live in the Clarksville trade area are particularly fortunate. There are a lot of reasons why we can make these plans for the future with much greater ease and security than can be done by those who live in less favored sections. This makes our responsibility all the greater, and we cannot have an alibi for not being ready.

"So what are the plans that we should make in time of war as a preparation for the coming of peace?

"Here are some of them:

"(1) We must produce this year on our farms, and in our gardens, an abundance of those crops, which we are well qualified to grow, which are needed for the support of the armed forces and which will provide generously for the home-folks now and through the months to come. It may also be our responsibility to share in that portion of relief which our nation must meet.

"Folks who make a business of figuring say that foodstuffs for people will be shorter next winter than in any recent year. They may be right. At least it is a warning. We have felt some local shortages.

"Seasons for the remainder of the growing season may not be favorable. Farm equipment is badly worn and impossible to replace. So we must put out every effort we can to have lots of foodstuffs of all kinds, with our pantries well stocked for next winter; and there must be food and fibre to assure provision and comfort for all who are on active duty at the battle front.

"In our lofts and our cribs there must be hay and corn and other feed for the livestock of all kinds. This has been a wonderful year for hay and smart farmers have been harvesting every week recently. A surplus of livestock feed is barely enough.

"That is our first task.

"(2) We will stick right with this crop program that we call the FOUR PILLARS OF INCOME. Those four crops are real insurance, just like you carry on your life and your buildings. Prices will not decline suddenly on all four crops, and there will not be a failure of all of them in any one year. If one crop should fail, or the prices go down on one, we still have at least three on which we can depend to carry us through safely. In addition we have hogs, and a few on every farm are usually profitable; milking cows, from which a lot of folks are getting a nice income, and chickens, which have been, and are, high in price and scarce. In some years we have seen one of our principal crops fail by reason of bad growing seasons, but the others have always stepped in and held up the farm income so that there was not any distress. We will resolve that we will not be entirely dependent on any one crop for our farm income.

"That is our second task.

"(3) We will pay off the mortgage on the farm. Pay it off in full, while the earnings are good, if we can. At least pay it far ahead, so that it will be absolutely under control. Then if there are lean years ahead of us we will have these payments behind us. There is much independence to be enjoyed through being out of debt. It is a real comfort. For those who find it impossible to get entirely out of debt, who do not owe too much, but who may not be satisfied with present arrangements, this bank is ready to make farm mortgage loans at 4%, to run 25 years, with annual payments, through a large life insurance company. Lewis Pace and Albert Durrett will furnish full information.

"Getting out of debt is our third goal.

"(4) While the profits from farming are good we will set aside a nest egg in the form of a reserve. We will take a part of the surplus and put it in series E and F bonds of the United States Government. We will be prepared for any emergency. We will be ready to make needed repairs and improvements when the lid is off and we can buy what we need at prices we are willing to pay. We will have money for tractors, plows and other farm machinery which we need but cannot get now. We will be ready. Those E and F bonds can be cashed, after 60 days, just like putting a check through the teller's window at the bank. If we keep them through the 10 or 12 years they run we get good interest. There is not another investment which can be bought which we can turn into cash, with a guarantee against loss, when we get ready. The bonds are safe and when we buy we are furnishing money to finish off the Japs. That's worth while.

"So that is our fourth objective.

"(5) What can be more important than a reserve of soil? Right now, while this Soil Conservation Program is being offered by the U. S. Government, we have the opportunity of a life time to get our farm land in tip top shape. It is not a question of not having the money to do the work. This bank is making loans every day to good farmers who are carrying on soil improvement practices. These loans will be paid in the fall when settlement comes for the work done. Lewis Pace and Albert Durrett will be glad to cooperate with reliable farmers who need money to take advantage of this splendid opportunity.

"So that is our fifth job to be performed.

"(6) There is a lot of talk these days about a farm land boom. Many people think that farm lands are getting too high. We must do everything we can to prevent any runaway prices on farm lands. Of course, when a man has the cash money to pay for what he buys, and he gets something that squares him out or takes him to the big road, that is strictly his business, and the price he pays is his own concern. The danger lies in the purchase of farm lands, at high prices, on credit. If the agreed price for a farm is a fair one the purchaser should pay at least one-third in cash, and the balance of the price should be scattered over a period of several years where the signer of the notes can meet them regardless of unfavorable happenings. A boom in farm real estate, with prices getting out of control, is exceedingly dangerous, and usually brings unhappy consequences. In the final consideration the value of a farm depends entirely on what it will produce in the way of money incomes when operated in normal years by a man who knows how to farm.

"That is our sixth responsibility.

"(7) These 4-H Club members and Future Farmers will be the farm owners and operators of tomorrow. We owe them the very best opportunity to make good on their 4-H and FFA projects, and we must encourage them to assume the responsibility of taking on projects which they are capable of carrying successfully. Some times the old folks think that these 4-H and FFA activities are not worth while. That's wrong. One year this bank made over three hundred loans to boys to buy and feed calves. Dads did not sign the notes. The project was a success. Every note was paid in full. Now these boys and girls do not need to borrow. They seem to have money for their needs.

"(8) In the post-war years there may be a period of many changes in farming. Some folks call it reconversion. Ceilings and floors, subsidies, quotas and allotments may be removed, and the farmer find himself relying entirely on his own resources once more. In that period of time there will be much assurance of a safer journey, stability it is sometimes called, if the farmers are joined in a group or organization that can speak in behalf of and for the benefit of the farmer. An organization that encourages sound thinking and discourages impractical, socialistic or visionary schemes. Folks who live in town are particularly interested because a sound agriculture assures sound business in a country town.

"That is number eight and it is a reminder that a chain is only as strong as its weakest link; which applies with much force to the importance of having the farmers joined together through membership in a strong and sound organization."

# Special Personnel to Help Returning V'terans

More than 500 New York State commercial banks have organized separate bank departments or appointed special personnel to help returning servicemen utilize the resources of both the banks and the government in reestablishing themselves in civilian life. A survey by the New York State Bankers Association, made public Aug. 8, revealed that all of the state's 700 commercial banks, with no exceptions, are prepared to make home, farm, and business loans under the provisions of the Servicemen's Readjustment Act of 1944, the so-called "G.I. Bill." In commenting on the preparations being made by bankers to assist veterans, the Bankers Association pointed out that specialists have informed themselves of the features of the G.I. Bill, including the medical, educational, reemployment and loan provisions, so that they can qualify as competent advisors and counselors. The advices from the Association also state:

The creation of specialists will assure the veteran a ready "ear" of one who understands his problems when he visits his hometown bank and in some communities with more than one bank the "Rochester plan" has been adopted, and a central office created to assist veterans.

The plan derives its name from the fact that it was first established in Rochester, N. Y. with the city's six commercial banks and three savings banks participating. Advertised as "Veteran's Financial Service" offices were opened Jan. 8, 1945 in a ground-floor suite in the heart of the city with a former Vice-President of one of the city's banks in charge. Bankers believe that one of the results of the centralized office is a greater volume of cumulative experience which is brought to bear in advising each veteran.

A majority of banks in New York State said that the administration of the loan provisions of the so-called G.I. Bill will be handled in their "shops" by specially assigned personnel. More than one-third of these special departments will be staffed by returned war veterans.

ADVERTISEMENT

NOTE—*From time to time, in this space, there will appear an article which we hope will be of interest to our fellow Americans. This is an extra article in a series.*
SCHENLEY DISTILLERS CORP., NEW YORK

Two Candles!

**My, how time flies. Here we are on our second anniversary of this towerlet of type—and on our way into our third year.**

**We don't mind confessing that we felt some trepidation in the beginning. We didn't feel very sure of ourselves; didn't know how the readers of this newspaper would react to our humble efforts to make friends for our industry and for our Company. We know now that we have many friends because we have received thousands of letters telling us so. Ours is a friendly business, and we try to convey to our readers that we like people.**

Oh yes, we still occasionally get a letter from a reader who doesn't like us. But an occasional taste of *bitterness* only serves to emphasize its antonym—*sweetness.*

We shall continue to write about this and about that, hoping to continue to sustain your interest. We will profit from your occasional suggestions, and even your criticisms. And enjoy, of course, the progress we seem to be making in gaining your good-will in a business—a legal business—which you asked for by your overwhelming vote at the polls, a little more than a decade ago.

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# A Champion Needed!

(Continued from page 731)

ticularly pertinent to some of the rules passed by the NASD, and the instant amendments under consideration.

The following are some of these issues:

(a) That the NASD was created pursuant to an illegal statute, to wit, the Maloney Act, which contravenes the law of the land because it is special legislation in effect giving to the NASD certain exclusive and monopolistic privileges, amongst them that of having their members participate in certain financial advantages and dealings to the exclusion of non-members; as a result, the NASD is not legally constituted and is, therefore, without any rule-making power.

(b) That the interpretation (then relating to the 5% spread) is monopolistic in its operations, contravenes the anti-monopoly statute in that it tends and will tend to eliminate the small dealer in securities and thus cripple competition. We feel that the same may properly be urged with respect to the new powers of the NASD Governors to submit By-laws which would control profits and commissions.

(c) The NASD is exercising legislative functions which the Congress never intended to delegate and which the Congress in fact was powerless to delegate.

(d) The NASD is modifying trade custom and usage without the legal right so to do.

(e) Some of the NASD By-laws constitute an illegal exercise of legislative power and governmental function by a private association and place a burden upon and constitute an impairment of interstate commerce.

(f) The By-laws of the NASD or some of them are unconstitutional because they deprive the securities dealers of property rights without due process of law.

These issues, partly raised before the Commission, on the 5% spread NASD interpretation, were completely sidestepped by the Commission in its "Order of Hearing," the Commission even failing to state whether it had jurisdiction of them.

This was unfortunate. However, we would not be surprised to see all these issues revived in some future disciplinary proceeding held before a business conduct committee of the NASD. We predict that the last of these has not been heard by any means.

Proceedings, disciplinary in their nature, before the NASD Business Conduct Committees usually invoke the violation of a general rule which reads as follows:

> "The member, in the conduct of his business, shall observe high standards of commercial honor and just and equitable principles of trade."

We now quote from a brief filed by the Department of Justice which deals specifically with this rule:

**"For that rule, written in the most general language, is capable of more than one interpretation; and, if it is to be applied by a private body for purposes of discipline, the limits of its meaning must be fixed by the law of the land * * *."**

**"It is a well-established principle that commands which have the force of law must be phrased in language so clear-cut that the person of ordinary intelligence can know what is expected of him. Here the criteria by which actions are to be assessed are 'high standards of commercial honor' and 'just and equitable principles of trade.' But 'commercial honor' is a vagrant concept, too uncertain in its inclusion and exclusion, to impart substance to the term 'high standards'; and 'just and equitable' does no more than set down a lofty and unspecified aspiration for the principles which must guide the trade of the members."**

The brief then goes on to point out that under the terms of the Maloney Act the rules of an association formed thereunder are designed, among other things, to protect the mechanism of a free and open market and are not designed to impose any schedule of prices or fix maximum rates of commissions, allowances, discounts or other charges; further, that there cannot be read into the statute the power to impose upon a member an obligaion which the Congress has expressly forbidden.

In our opinion, the NASD has shown a tendency to run afoul of these prohibitive provisions. It has also attempted to define by rule what Congress alone may define by statute.

With the many instances in which the NASD has done injury not only to the public but to the securities industry as well, our readers who have followed our editorial policy are already fully acquainted and these need no present summary.

We level against the NASD the indictment that it makes cowards of men. So many of the communications that we have received from member firms have evidenced this by asking us to withhold their names for fear of reprisals. In and of itself, this alarming condition calls for immediate remedial action. Fear of District Business Conduct Committees, their officials, and of co-members who might terminate business relations has left many a member firm bereft of courage.

It is fervently hoped that some existing voluntary organization will have the vision and good sense to protect the interests of dealers and brokers by petitioning the SEC to abrogate the recently adopted by-laws of the NASD. Instantaneous action should be taken, too, to determine now whether the National Association of Securities Dealers is a duly organized, legally constituted body. The well-being of the public and of the securities field as a whole demands this.

**In the absence of prompt militancy on the part of an existing voluntary organization, we must hope for some champion or champions who will arise to combat and destroy the present flourishing octopus of over-regulation which is impairing the proficiency and the livelihood of dealers and brokers in the securities field. Non-members of the NASD are in a particularly favorable position to test the constitutionality of the Maloney Act because of the manner in which they are discriminated against by their inability to obtain discounts from member firms.**

Now that the peace has come, continuous and concerted efforts will no doubt be made to relax all restrictions of our freedoms which were based upon a war emergency.

**With that public state of mind it becomes increasingly important that non-emergent restrictions and diminution of our freedoms and our American way of life, such as those which have been the product of NASD activities, be immediately erased.**

(The "Chronicle" invites comments on the views and opinions contained in the above article or on any related phases of the subject. Letters should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y. **Naturally, the identity of the correspondent will not be revealed if a request to that effect is made.)**

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# France Resumes Interest on Foreign Debts

Jean Paul Simon, whose article "Status of France's Foreign Bonds" appeared in the "Chronicle" of April 5, 1945, has sent to the Editor the following notice of resumption of service on the French Government's foreign debts:

I

Jean Paul Simon

**France to resume service on loans issued in Great Britain**—Arrangements have been made for the resumption of service on the French railroad bonds payable in sterling, on the Seine Department loan payable in sterling, on the English series of 4% French Rentes of 1917-18 and the 4½% Rentes of 1932.

II

**France to resume service on loans issued in Switzerland**—According to a decision of the French Ministry of Finances the French Provisional Government has resumed the service of its foreign debt in Switzerland.

Bondholders of the French 3¾% gulden loan of 1939 (payable in Dutch guilders or Swiss francs or U. S. dollars or French francs) of the Morocco Railways (payable in Swiss francs or Dutch guilders or French francs) of the Alsace Lorraine Railways (payable in Switzerland at the cable rate of exchange on Paris) may apply in Switzerland for payment of interest arrears, provided they furnish sufficient evidence as to the date of their ownership.

The French Ministry of Finances will take individual actions concerning the resumption of service on the above-mentioned bonds, which are held physically in countries other than France or Switzerland.

# Hallowell, Sulzberger & Co. in Philadelphia

PHILADELPHIA, PA.—Henry R. Hallowell and Charles H. Sulzberger, member of the New York Stock Exchange, will form Hallowell, Sulzberger & Co. with offices at 111 South Broad Street, effective September 1st. Mr. Sulzberger was formerly a partner in Penington, Colket & Co. Mr. Hallowell was assistant manager of the investment department of the Philadelphia office of Eastman, Dillon & Co.

*We have prepared a memorandum on*

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# Bull Stampede—Accent on Inflation

(Continued from page 731)

outlook during the second half of 1945 was the prospect that business would have to go through a period of reduced earnings resulting from price control and Government regulations. There was never any doubt that this period would be relatively short lived and would end just as soon as the results of deflationary policies upon the part of Government were apparent. But now with the outlook for early termination of wartime activity, there will be every incentive for the Government to speed the whole process of reconversion regardless of ideological considerations.

In the memorandum "Bear Market, Reaction or Shakeout?"—July 6, 1945—it was stated "Governmental attitudes toward business, prices, wages, credit, foreign trade and all the many fields in which Government now plays an important part have oscillated between fear of inflation and fear of deflation. Over the next several months fear of inflation may well set the theme of Government thinking and activity, but in view of the (probably minor) deflation that the resulting policies would effect, it is wholly likely that a rapid shift of emphasis back to an inflationary theme would take place before many months had passed." Then the prospect was that the process of reconversion would get a good start while we were still at war, that therefore (theoretically) the losses and costs of reconversion could be charged against profits on war goods. But now the termination of the Japanese war probably means early adoption of governmental attitudes that will tend to be inflationary, without any interim deflationary phase.

### Tax Relief

Still another reason for heightened confidence in the outlook is the greatly increased probability of early tax relief. Were the Japanese war to continue over the end of the year, important relief from high taxes would probably not be seen until a year or so from now. Now there is a good probability that new tax legislation will come within a few months.

Still further, double taxation of dividends, a much discussed aspect of the tax situation, may well be eliminated or much changed at a fairly early date. This would, of course, have the effect of making dividends more valuable to the recipient and thereby increase the market value of stocks from the standpoint of yield.

### Yield Basis

Still another, and perhaps most important, factor in connection with the level of stock prices raised by the prospect of early termination of the war is the distinction between a peacetime market and a wartime market from the standpoint of yield basis. These memos have repeatedly stated that on a peacetime basis the stock market may be expected eventually to sell on a 3% yield basis, whereas on a wartime basis, with all the attendant uncertainties inevitably tied in with war, a 4% basis was about all one might expect. The industrial market did top off in June at just about a 4% basis at the equivalent of around 170 on the Dow-Jones Industrial Average and subsequently declined 10 points. The July 6th memo stated "About all one would expect in a period of temporary declining confidence, during a major upward rise, would be a yield adjustment of something under one-half point. Thus, an adjustment to something moderately under 4½% would suggest a decline from the high of the order of 15 to 20 points."

But with the advent of peace this potential adjustment would fade into insignificance in contrast with the price adjustment that would place the market on a 3% basis. On the basis of present dividends a 3% basis would represent a Dow-Jones Industrial level of 225. In other words, substitution of peacetime for wartime conditions places before the market the bullish potential of a 60 point advance from current levels against a bearish potential of 10 to 15 points.

### Investment Policy

This combination of factors, all springing out of the sudden prospect of very early termination of the war with Japan, seems fully likely to carry the market forward an appreciable distance, perhaps over an extended period. Furthermore, the possibility that, so far as financial sentiment and stock prices are concerned, the whole period of reconversion may be hurdled suggests that investors go ahead with the investment of idle funds.

In the opinion of the writer, there never has been any question of the thoroughly bullish aspect of the long range outlook for the market, and now that the bearish potentialities are likely to be rapidly dissipated by the exigencies of a highly compressed period of conversion that will necessitate confidence-producing attitudes and actions upon the part of the Government, a fully invested position seems warranted at this time.

The following stocks are judged among those attractive for purchase at the present time:

GOOD QUALITY STOCKS†

| | Recent Price | 1945 Price Range | Current Dividend Rate | 1944 Earnings |
|---|---|---|---|---|
| Allis Chalmers | 46½ | 49¾- 38⅛ | $1.60 | $4.77 |
| Caterpillar Tractor | 63½ | 69¼- 47¾ | 2.25 | 4.07 |
| duPont | 163 | 172¼-155 | 5.25 | 6.60 |
| General Electric | 43⅞ | 44½- 37⅞ | 1.60 | 1.76 |
| International Harvester | 84 | 90⅞- 74½ | 2.85* | 4.61 |
| Liggett & Myers Tob. "B" | 93¼ | 95½- 78 | 3.00 | 4.25 |
| J. C. Penney | 118¾ | 123 -106 | 5.00 | 6.25 |
| St. Joseph Lead | 45½ | 46¼- 37 | 2.00 | 2.86 |
| Union Carbide & Carbon | 91¾ | 93½- 78½ | 3.00 | 4.07 |
| United Fruit | 104½ | 106¾- 89⅞ | 4.00 | 5.04 |

LOWER PRICED SHARES

| | Recent Price | 1945 Price Range | Current Dividend Rate | 1944 Earnings |
|---|---|---|---|---|
| American Chain & Cable | 30 | 31¾-21 | $2.00 | $2.93 |
| American Machine & Foundry | 26½ | 27¼-21 | 0.80 | 1.00 |
| Budd Mfg. | 15¼ | 17 -10⅛ | 0.25 | 0.65 |
| Curtis Publishing | 15¾ | 16¾- 9 | Nil | 0.14 |
| Elliot Co. | 29⅝ | 33¾-15 | 1.00 | 2.57 |
| Marshall Field | 25⅜ | 26 -18¼ | 1.00 | 1.60 |
| Mengel Co. | 21¾ | 24⅜-14¼ | 0.40 | 1.72 |
| Pepsi Cola | 23¼ | 26 -21 | 0.83 | 1.02 |
| Radio Corp. of America | 13⅜ | 13⅞-10¼ | 0.20 | 0.51 |
| Wayne Knitting Mills | 31½ | 35 -18 | 1.00 | 2.14 |

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*Paid in 1944.

†This is not a complete analysis of every material fact respecting any company, industry or security. The opinions here expressed reflect the judgment of the writer at this date and are subject to change. Facts have been obtained from sources considered reliable, but are not guaranteed.

## Joseph Lee Is Now With Strauss in Chicago

CHICAGO, ILL.—Strauss Bros. announce that Joseph M. Lee is now associated with their office in the Board of Trade Building. Mr. Lee was formerly with Shearson, Hammill & Co.'s Chicago office for 14 years.

## Newkirk & Co. Opens in New York City

Newkirk & Co., Inc., will engage in an investment business from offices at 123 William Street, New York City. Officers will be Louis H. Newkirk, Jr., president and Louis H. Newkirk, Sr., secretary. Mr. Newkirk Jr. was formerly manager of Newkirk & Co., Inc., from 1935 to Dec. 1942.

## E. A. Viner to Admit

Kate Viner will be admitted to limited partnership in Edward A. Viner & Co., 11 Wall Street, New York City, members of the New York Stock and Curb Exchanges, as of Sept. 1st.

## Meinert and Smith Join Goshia & Co.

TOLEDO, OHIO — Goshia & Co., 517 Ohio Building, announce the addition of Paul A. Meinert and Ray A. Smith to their staff.

Paul A. Meinert

Mr. Meinert entered the securities business in 1922 with the firm of Collin, Norton & Co. with whom he had been connected until Aug. 1 of this year. While in the employ of that firm, he served in various capacities. During the last 18 years his services have been confined to the sales department. Mr. Meinert is very well known in the city of Toledo and has a great many contacts in the Middle West. He has taken an active part in Red Cross and Community Chest campaigns and is a member of the Bond Club of Toledo.

Mr. Smith entered the investment business in 1910 when he became a traveling buyer for the firm of Hoehler & Cummings, one of the pioneer firms in the municipal bond field. He enlisted in the United States regular army in 1917 and served throughout the first world war. Since that time, he has been connected with various investment firms, including W. K. Terry & Co. and Vandersall & Co. of Toledo; also, in recent years, Westheimer & Co. of Cincinnati, and Paine, Webber & Co. On the dissolution of Vandersall & Co. in 1927 he formed his own firm under the name of Ray A. Smith & Co., continuing until 1933. For the past three years Mr. Smith has been engaged in war work and now returns to the investment business in which field he has wide contacts.

Mr. Smith's association with the firm was previously reported in the "Chronicle" of July 26.

## Edward Robinson and H. P. Schlemmer to Be Schwabacher Partners

Edward H. Robinson and Harold P. Schlemmer will be admitted to partnership in Schwabacher & Co., members of the New York Stock Exchange, effective September 1st. Mr. Robinson has been with the firm for some time as manager of the New York office at 14 Wall Street. Mr. Schlemmer has been manager of the investment department in the San Francisco office at 600 Market Street.

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# Michigan Brevities

During the first six months of 1945 the Chrysler Corp. supplied $636,000,000 worth of war materials, being greater than any corresponding period since the war began. Shipments are continuing at a high rate.

Sales for the first six months of 1945 totaled $683,647,228 and the net profit of the corporation and its wholly-owned United States subsidiaries, after taxes and reserves, amounted to $17,326,834 equivalent to $3.98 per share.

Cash, including special deposit accounts of $30,241,379 in connection with contracts for war materials, totaled $147,048,155 at June 30, 1945. United States Certificates of Indebtedness and Treasury Notes aggregated $47,000,000. Advances under war contracts amounted to $70,773,786. Inventories were $58,130,588 and net current assets were $208,118,766.

**K. T. Keller, President, states: "Simultaneous with this large war goods production, the plants are being prepared for the resumption of automobile production, to take care of our allotments of whatever civilian passenger and truck vehicles we may be permitted to build and for which we can obtain materials."**

* * *

Baker Simonds & Co. has arranged for the purchase of approximately 29,000 shares of Fabricon Products, Inc., formerly the Detroit Wax Paper Co. Registration of the shares was filed with the SEC August 11.

This will be the first public offering of shares of this company which was organized in 1920 and now operates two plants in River Rouge, Mich., totaling 260,000 square feet in addition to wholly owned subsidiaries in Cleveland, Philadelphia, Pittsburgh and Long Island City. The present financing is for certain stockholders' accounts.

**Fabricon is a leading producer of printed bread wrappers and other food packaging materials for national bakeries and candy firms. Prior to the war a considerable sales volume was built up in fibreboard automobile foundation panels and insulating materials which should be a large field for the company's peacetime production.**

A more recent development, in which Fabricon has already pioneered a number of radical improvements, is the specification treatment of fabrics, sheetings and paper with phenol resin varnishes. This use of phenol impregnated papers and fabrics as laminating materials to be moulded under low pressure, is relatively new in the plastic field. Its wartime uses for helmet liners, aircraft parts, shell and radio parts will be converted into materials for furniture, housing materials, automobiles, boats, office equipment, machinery, luggage and other industrial and home uses.

**Another fairly recent development is the company's Aniline Division which produces an attractive printed material for wrapping candy bars, shirts, lingerie, hosiery and other items suited to modern merchandising display.**

* * *

The special stockholders' meeting of the F. L. Jacobs Co. scheduled for Aug. 16 to vote on the proposed increase in authorized capital stock has been adjourned until 10 a.m. Aug. 23, in Room 677, 10 Penobscot Building, Detroit. Rex C. Jacobs, President of the Company, explained that "In view of the widespread tendency, including possibly among some of our stockholders, to regard today as a 'holiday' the management deemed it proper to adjourn the meeting for a week."

* * *

Conversion to peacetime production of motor vehicles at the Oldsmobile plant at Lansing, Mich., has progressed to 95% of pre-war facilities, S. E. Skinner, a vice-president of the General Motors Corp. and general manager of the Oldsmobile division, announced Aug. 15. The volume of production is dependent upon the rate at which materials are received, he said. Mr. Skinner and D. E. Ralston, general manager of the organization, interviewed at the Oldsmobile headquarters, emphasized that the post-war peak output will be 450,000 units against 272,000 in in 1941.

**"For the immediate present," said Mr. Skinner, "we are continuing to manufacture some war materials. These are specified items which I am not at liberty to mention. Although we are only 5% away from prewar normal facilities for manufacturing civilian vehicles that small percentage may take several months to attain."**

Mr. Skinner said that while there now were about 7,500 employees at the Oldsmobile plant, the schedule called for more than 10,000.

## Marxer & Co. New Firm Formed in Detroit

DETROIT, MICH.—Marxer & Co. has been formed with offices in the Penobscot Building to engage in an investment business. Partners are George C. Marxer and Marion S. Marxer. Mr. Marxer was manager of the unlisted department for Cray, McFawn & Co. with which he had been associated since 1931.

## James M. Butler With Smith, Hague & Co.

(Special to THE FINANCIAL CHRONICLE)

DETROIT, MICH.—James M. Butler has become associated with Smith, Hague & Co., Penobscot Building, members of the Detroit Stock Exchange. Mr. Butler was formerly with Wm. C. Roney & Co., R. C. O'Donnell & Co., and A. M. Kidder & Co. In the past he conducted his own investment business in Detroit.

## Stone & Webster Eng. On Atom Bomb Plant

Hundreds of engineers and draftsmen, working overtime seven days a week for more than a year, turned out 12,000,000 square feet of blueprints and whiteprints in drawing up plans and specifications for the larger of the two atomic bomb plants in Oak Ridge, Tenn., John R. Lotz, Chairman of the board of Stone & Webster Engineering Corporation, which designed and constructed that plant for the Army, revealed.

The contract, which called for the planning and construction of a city with a population of 75,000 was the largest engineering and construction job ever awarded to a single firm.

Stone & Webster Engineering Corporation began the job in December of 1942. At peak production, it had as many as 27.000 men and women working on the job at one time.

The engineering and development part of the job was handled by a large, carefully selected group of engineers, designers and buyers who worked in specially guarded offices in Boston, Berkeley, Calif., Chicago and Oak Ridge.

As many as 7,200 prints of drawings a day were sent out, many of them being flown to their desinations.

The engineering concern, which has executive offices in New York and Boston, is one of the largest in the country. It has handled many big jobs in war and in peace, but this one, Pres. Branch said, was of such transcendent importance that all workers had to be placed on schedules based on the instructions of Maj. Gen. Leslie R. Groves: "Set yourself a schedule which can be met only by a miracle." In a letter of commendation the War Department, referring to the job, said that the firm had performed it on a "time schedule only slightly short of impossible."

# Connecticut Brevities

Gross Revenue of the Southern New England Telephone Company for the six months ended June 30, 1945 was $15,764,000 compared with $14,842,088 for the first half of 1944. Interest charges were covered 3.82 times and 3.38 times respectively, while earnings per share were $3.08 against $2.97 As of June 30, there were 492,156 telephones in service. This represents an increase of 6,016 over June, 1944.

* * *

The income account of the Connecticut Investment Management Corp. for the year ended June 30, 1945, showed net investment income of $31,487 against $25,479 a year ago. Net investment income per share was equal to 20¢ in 1945 based upon 156,211 shares, and 16¢ in 1944 based upon 162,110 shares. Security profits in 1945 were $52,373 compared with $6,996 a year ago. Investments, at lower of cost or market, were carried on the balance sheet at $608,772 while the actual market value was $799,756, or $190,984 in excess of the stated value.

**As of June 30, 1945, approximately 59% of the market value of the securities in the portfolio was represented by equities, 33% by preferred stocks, and 8% in bonds.**

* * *

Jesse W. Randall, President of the Travelers Insurance Company, has been elected a Trustee of the Hartford-Connecticut Trust Company, to replace the late L. Edmund Zacher.

* * *

For the first half of 1945, Bon Ami Company showed net profit of $551,254, or $2.59 per share on the Class A stock and $1.53 on the Class B, against $503,908, or $2.34 per share on Class A and $1.41 on Class B for the corresponding period in 1944.

* * *

Bigelow - Sanford Carpet Co. showed net income of $532,282, or earnings of $20.16 a share on the 6% preferred stock and $1.47 on the common for the first six months of this year. For the same period in 1944, net income totaled $516,638 with per share earnings on the preferred equal to $19.57 and on the common $1.39. These figures are based upon 308,609 common shares in 1945 and 313,609 in 1944.

Net sales for the first half of 1945 were $10,546,280 against $10,120,500 for the period ended July 1, 1944.

* * *

**Peck, Stow and Wilcox Company showed net earnings of $155,944 for the fiscal year ended June 30, 1945, which compares with $204,939 for the preceding fiscal year. Earnings per share were $1.56 and $2.05, respectively. $105,944 was added to earned surplus, bringing that account to $627,565.**

President M. J. Lacey stated that while the present manpower problem is serious, the company will have no extensive reconversion difficulties.

* * *

Cutbacks in government contracts coupled with plant changeovers have resulted in a substantial decline in the earnings of United Aircraft Corp. The consolidated income account shows sales and operating revenues for the first six months of 1945 of $331,900,931 compared with $419,925,815 for the corresponding period last year. Net income for the first half of this year was $6,957,950 against $8,450,113 for the period ended June 30, 1944. On a per share basis, earnings on the preferred were $26.88 against $32.64, and on the common $2.38 against $2.94, respectively. Figures for 1945 are subject to adjustment for war contract renegotiation.

**During this period, the company set aside $1,673,745 as a reserve for reconversion which brings the total reserve to $34,149,154.**

The balance sheet as of June 30, 1945, shows net working capital of $96,464,583. Total current assets were $188,722,128, including cash of $49,142,839 and U. S. Treasury tax notes of $60,884,500.

Chairman Rentschler recently stated that Pratt & Whitney Division and its licensees produced more than 50% of all aircraft engines used by our Air Force, in addition to large quantities for our Allies.

* * *

Putnam & Co of Hartford and Chas. W. Scranton & Co. of New Haven have purchased from the United Gas Improvement Company their holdings of 21,380 shares of the Bridgeport Gas Light Company which is being reoffered to the public at 25½ per share.

**This sale is in accordance with the ruling made by the Securities and Exchange Commission in 1941 which ordered United Gas Improvement Company to divest itself of its holdings in this Connecticut utility.**

## Retires from Partnership

Charles W. Snow retired from partnership in Blanchard, Snow & Watts, 115 Broadway, New York City, members of the New York Stock Exchange, on Aug. 14.

**General Industries Co.**
**National Stamping Co.**
*Reports furnished on request*

**MERCIER, McDOWELL & DOLPHYN**
*Members Detroit Stock Exchange*
Buhl Bldg., Detroit 26
Cadillac 5752 Tele. DE 507

TRADING MARKETS

**INDUSTRIAL BROWNHOIST**
1st Preferred
2nd Preferred
Common

**Moreland & Co.**
*Member Detroit Stock Exchange*
1051 Penobscot Building
DETROIT 26, MICH.
Teletype DE 75
Battle Creek Lansing
Bay City Muskegon

**SIMPLEX PAPER CORP.**
Common Stock
*Report Furnished on Request*

**WHITE, NOBLE & CO.**
*Members Detroit Stock Exchange*
GRAND RAPIDS 2, MICH.
Phone 94336 Tele. GR 184
Detroit Office, Buhl Bldg.

*TRADING MARKETS:*

Commerce Trust Co.
Pickering Lumber Corp.
Long-Bell Lumber Co.
Western Lt. & Tel. Co.
Central Coal & Coke Corp.

**BAUM, BERNHEIMER CO.**

1016 Baltimore Avenue, Kansas City 6, Mo.

Municipal Department
Bell Teletype — KC 385
Phone—Harrison 2090

Trading Department
Bell Teletype — KC 472-3
Phone—Harrison 6432

*Private Wire Connections To:*

Strauss Bros.
New York and Chicago

White & Company
St. Louis

Pledger & Company
Los Angeles

# Missouri Brevities

## Edison Brothers Show Gains

Edison Brothers Stores, Inc., retail distributors of women's shoes, report a consolidated net profit of $677,295 for the six months ended June 30, 1945, equal to $1.54 per share of common stock outstanding at the close of the period after allowing for preferred dividends. This compares with a profit of $485,845, or $1.07 per share in the first six months of 1944. Sales for the seven months ended July 31, 1945, were $30,042,033, an increase of 18.19% over the comparable 1944 period. July sales of $4,304,004 showed an increase of 24% over July, 1944.

**The company recently sold $5,000,000 of 4¼% cumulative preferred stock, proceeds of which will be used for the retirement of $3,000,000 of old preferred stock which has been called for redemption, and will also provide for the construction of additional store units and other post-war expansion plans.**

### Ely & Walker Expansion

Ely & Walker Dry Goods Co., whose various expansion plans have been noted in this column over the past year and a half, recently purchased 1,000,000 feet of high-grade lumber from the Surplus Products Division of the RFC. This lumber will be used to construct a factory at Verona, Mo., for the manufacture of store fixtures for the company's retail merchant customers. Since 1933, with the exception of the war period, Ely & Walker have supervised the remodeling of retail stores, over 1,200 such outlets located in 28 different states having participated in this service. In addition to this lumber purchase, the company has also acquired several large tracts of virgin white and red oak timber which will assure it of a source of raw materials for the future.

### American Stove Earnings Advance

**American Stove Co. reported estimated net profit for the six months ended June 30 of $544,495, equal to $1 per share, compared with $449,270, or 85¢ a share in the first half of 1944. Income and excess profits taxes provision was $1,374,000 versus $667,590 in the corresponding period of last year.**

### Western Light & Telephone Registers

Western Light & Telephone Co., whose common stocks is actively traded by Missouri dealers, has filed a registration statement with the SEC, covering its proposed issue of $6,200,000, series "A" first mortgage bonds due 1975. Proceeds will be used to redeem $5,000,000 first mortgage 4s due 1964, of Kansas Power Co. and $1,189,000 Western Light & Telephone first and collateral 3¾s due 1965.

The present preferred stocks of both companies would be exchanged for new 5% preferred of the merged companies, and Western Light & Telephone common stock would receive new common in the ratio of one share of new for five of old.

### National Candy Report

**National Candy Co., for the six months ended June 30, had consolidated net earnings of $684,369, equal to $1.06 per share after preferred dividend requirements, compared with $500,318, or 75¢ per share in the corresponding period of 1944.**

# Dollar Finance Mgr. of RCA International

Archibald F. Dollar

Archibald F. Dollar has been appointed Manager of Finance of the RCA International Division of the Radio Corporation of America, John G. MacKenty, Managing Director of the Division, announced today. Mr. Dollar will be located in the New York offices of the RCA International Division, 30 Rockefeller Plaza.

A native of Grangemouth, Scotland, Mr. Dollar was a Chartered Accountant in that country before coming to the United States in 1923. As a Certified Public Accountant, he has been associated with the firm of Arthur Young and Company, Public Accountants, for the past twenty years, devoting much of his time in that period to the RCA account.

He is married and has three sons. He lives in New Rochelle and is a member of the Shore Club in that city.

## J. H. Brooks & Co. to Admit Two Partners

J. H. Brooks & Co., members of the New York Stock Exchange, will admit James L. Atherton and J. Archibald Brooks to partnership in their firm as of Sept. 1st. Mr. Atherton will make his headquarters at the firm's New York office, 25 Broad Street. Mr. Brooks will be located at the Wilkes-Barre, Pa. office.

**STIX & CO.**

INVESTMENT SECURITIES

509 OLIVE STREET

ST. LOUIS 1, MO.

Members St. Louis Stock Exchange

**ATTRACTIVE MERCHANDISE**

Berkshire Fine Spinning $5.00 Preferred and Common
Chicago, Wilmington & Franklin Coal
Chicago & Southern Air Lines
Collins Radio
Ely & Walker Dry Goods Common
Kansas City Public Service Preferred and Common
LaPlant-Choate Manufacturing Preferred and Common
Old Ben Coal Common
Steel Products Engineering
Universal Match

*Description on Request*

**SCHERCK, RICHTER COMPANY**

Landreth Building
St. Louis 2, Mo.

Bell Teletype
SL 456

Garfield 0225
L. D. 123

# Competitive Bidding Comment

The following is another of the letters received by the "Chronicle" on the subject of competitive bidding, others having been published in previous issues beginning with that of July 12, starting on the fourth page in each instance. We shall be glad to accommodate the viewpoints of any individuals or firms which have not as yet acted on our invitation for comments. Correspondence should be addressed to Editor, Commercial and Financial Chronicle, 25 Park Place, New York 8, N. Y., and in no instance will the identity of the source be revealed where a request to that effect is made.

### MAXFIELD H. FRIEDMAN

**San Francisco**

I've read your Pros and Cons on the merits of competitive bidding with great interest, particularly the weak and fumbling objections, by those not in favor of it, to a former underwriting monopoly enjoyed by a select few.

We are a small firm with no institutional business, so our interest in new issues being brought out with minimum interest rates and practically no profit, are of very little interest to us. However, for the benefit of those who are fortunate enough to have this type of business, I offer the following suggestion to the most important objection to competitive bidding, namely, the small profit. The SEC was created to protect the investor and admittedly has done a good job, but it has failed to recognize that the investment house too, needs protection, and I think it about time the NASD does something toward creating a minimum profit, just as they have toward establishing a maximum. This can be accomplished by making the corporation who is selling the security pay a fair cost for distribution, where today, under the present system, they are paying absolutely nothing except expenses incurred setting up the issue, cost of prospectus, etc. For example, the bidding syndicate would bid the corporation the price at which the bonds would be retailed to the public, less two points to the corporation. Under this plan the bidding syndicate would be assured a fair profit, likewise the small dealer interest would be revived, assuring greater distribution. The minimum profit could be scaled to two points on bonds, three and one-half points on preferred stocks, and possibly 5% on other stocks.

In conclusion, it seems to me that under the present system the large corporations, are the only ones benefiting at the expense of the investor and the investment houses.

## Theodore Gould to Resume in Baltimore

BALTIMORE, MD. — Theodore Gould has resumed his investment business from offices in the Stock Exchange Building. Mr. Gould was active as a member of the Baltimore Stock Exchange for many years. He has recently been serving in the U. S. Navy.

## Milton Powell in Calif.

PASADENA, CALIF. — Milton C. Powell has formed the Milton C. Powell Co., a sole proprietorship, with offices in the Security Building to engage in an investment business. He was previously President of Milton C. Powell Co., Inc., of Rochester, N. Y., but for some years has made his headquarters in California.

*Active Markets in*

ST. LOUIS
AND
MIDDLE WESTERN SECURITIES

Municipal Bonds — Corporate Securities — Bank Stocks
St. Louis Stock Exchange Issues

**NEWHARD, COOK & CO.**

UNDERWRITERS and DISTRIBUTORS

Members
New York Stock Exchange New York Curb Exchange (Associate)
St. Louis Stock Exchange Chicago Stock Exchange

FOURTH & OLIVE STREETS ST. LOUIS 2, MO.

Bell Teletype—SL 152 L. D. St. Louis 340, 341, 342

*New York Correspondent, Clark, Dodge & Co., 61 Wall Street*

**EASTERN CORP.**
**LEA FABRICS**

**Peltason, Tenenbaum Co.**

803 LANDRETH BUILDING
ST. LOUIS 2, MO.

Teletype—SL 486 L. D. 240

SINCE 1900

ST. LOUIS
SECURITIES

*Direct Private Wire to*
*New York and Providence Offices*

**G. H. Walker & Co.**

*Members*
*New York Stock Exchange and*
*Other Principal Exchanges*

Broadway & Locust, St. Louis 1, Mo.
Teletype SL 84 Tel. Central 0838

*Primary Markets*
*Bank & Insurance Stocks*

*Stromberg-Carlson Co.
*Mid-Continent Airlines
*Rohr Aircraft Corp.
*Ampco Metals Inc.
*Pickering Lumber Corp.
Majestic Radio & Television Corp.
Chicago Railway Equipment Corp.

**Statistical Information on Request*

**WHITE & COMPANY**

*Members St. Louis Stock Exchange*

Mississippi Valley Trust Bldg.
ST. LOUIS 1, MO.

Bell System Teletype—SL 477

*INVESTMENT*
*SECURITIES*

—★—

**Metropolitan St. Louis**
COMPANY

718 Locust Street
Saint Louis 1, Mo.
Central 8250

L. D. 208 St. L. 499

**Taussig, Day & Company, Inc.**

*ESTABLISHED 1924*

*Member*
*St. Louis Stock Exchange*

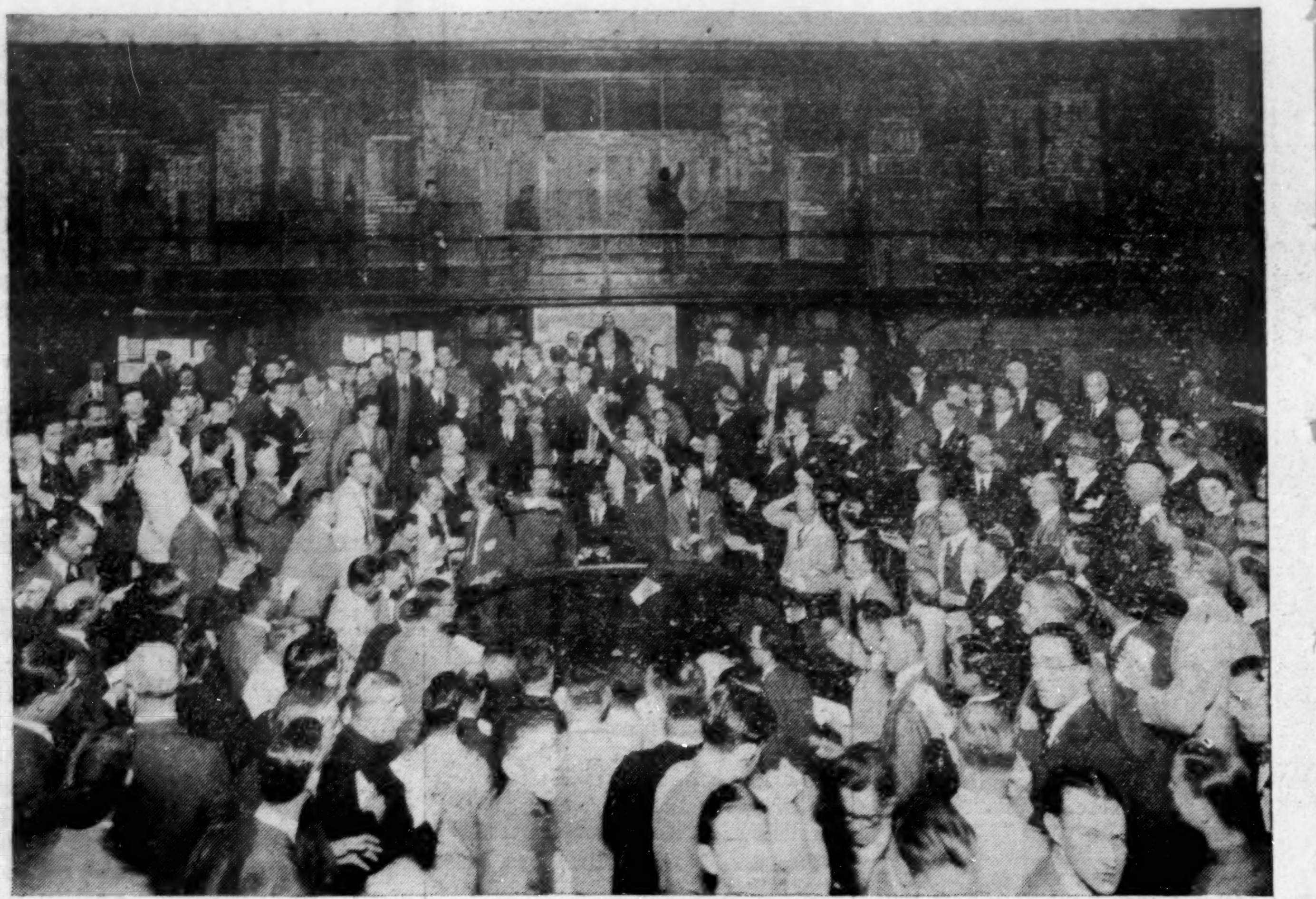
506 Olive Street
ST. LOUIS 1, MISSOURI

Teletype — SL 62

# Cotton Exchange Has Diamond Jubilee

(Continued from first page)

## Trading Floor of the New York Cotton Exchange



price paid by the cotton mill. In those days, after a cotton crop was harvested, dealers or "cotton factors" at Southern ports bought the baled cotton and immediately arranged to make shipments of the commodity to foreign or domestic ports. The cargoes were hawked about until sold. All this took weeks and even months between the purchase of the product on the farm and the final sale to the mill.

There was accordingly considerable variation in the prices not only in different markets but in the same market at short intervals of time. The cotton merchant, of course, assumed the risk of the market, but his successful adventures with high profits would generally compensate for losses undergone. But the business was risky since the merchants had no adequate facilities for "hedging" against price changes. These price fluctuations became particularly serious to dealers in raw cotton when, through rapid communications and transportation, the change of price in one market would be immediately reflected in all markets.

### Origin of Future Trading

As pointed out by W. Hustace Hubbard, author of the standard work "Cotton and the Cotton Market," the Civil War completely disrupted the cotton trade, and when business was resumed, it was speedily found that the old methods would not do. The fast steamers stopped at Halifax each way, news was immediately telegraphed to New York, and prices began to change at a rate which threatened to ruin merchants having cotton at sea. Conditions were made much worse when the Atlantic cable was laid in 1859 and the telegraph lines operated continuously between New York and the South.

In order to reduce these risks of the business, merchants began to trade in "cotton to arrive." Under this system no specific lot of cotton was stipulated in the contract, no samples were shown, and no ship by which it was to be transported was mentioned. The contract simply called for the delivery of a stated number of bales of cotton, "basis middling, nothing below low middling," to arrive during one of two prescribed months of a particular year. The length of time was allowed to provide against delays in the voyage. Against these contracts, cotton brokers or dealers could sell on the spot market for future delivery without risk of loss from change in price, so some crude system of hedging and offsetting trades was afforded.

New York soon became the trading center of these "to arrive" contracts. The cotton brokers, however, had no specific meeting-place for this sort of dealing. For a time, they followed the practice of getting together in the quarters of a large cotton merchandising concern. In 1868, a sort of formal organization of a trading floor was attempted, but it failed to supply adequate facilities for the rapidly increasing marketing of contracts in cotton. So on July 20, 1870, a number of cotton brokers got together to form a trading exchange. They drew up the following preamble:

"Whereas, The Cotton Trade of New York is increasing very rapidly, and with the increasing facilities for shipping Cotton by steam to all parts of Europe, this trade must continue to increase . . . and

"Whereas, In addition to the Cotton sent here for sale, there has grown up a large trade in the purchase and sale of Cotton for future delivery, in which much business is done on foreign account, as well as for Planters and Country dealers in the South, and

"Whereas, We believe that the telegraphic wires all over the world will rapidly increase these transactions, and

"Whereas, It is essential with this increase in the Cotton Trade of New York, that proper rules and regulations should be adopted for systematizing the whole business, and believing that this can be best done under an organization of all the Trade, it is determined by those of us present, and such others as will unite with us. . . .

"The purposes of this Association shall be to provide and maintain suitable rooms for a 'Cotton Exchange', in the City of New York, to adjust controversies between members, to establish just and equitable principles, uniform usages, rules and regulations, and standards for classification, and all transactions connected with the Cotton Trade, to acquire, preserve and disseminate information connected therewith, to decrease the risks incident thereto, and generally to promote the interests of the Trade, and increase the facilities and the amount of Cotton business in the City of New York.

"Any member of the Exchange who shall be accused of wilfully violating the Constitution and By-Laws, or of fradulent breach of contract, or of any proceeding inconsistent with just and equitable principles of trade, or of either misconduct, may, on complaint, be summoned before the Committee on Membership, when, if desired, he shall be heard in his defense, and if the charge or charges against him be, in the opinion of the Committee, substantiated, the complaint shall be referred to the full Board of Managers, who may, by a vote of not less than two-thirds (⅔) of all the members present, suspend or expel him from the Exchange."

### Organization of the Exchange

The first meeting of members was held July 20, 1870, on which occasion a Constitution and By-Laws were adopted. Officers and a Board of Managers were elected on August 15, 1870, and the New York Cotton Exchange established quarters at 142 Pearl Street. Up to that time, trading in cotton had been done in brokers' offices in and around Hanover Square.

The first New York Cotton Exchange was housed in a single, long, narrow room (23 x 100 feet) running from Pearl Street through to Water Street, within sight of the East River docks. This room contained a gigantic iron stove around which members gathered to trade in cotton and exchange views regarding current events. During the first days of the Exchange, considerable attention was directed to the new Census figures showing a New York City population of more than 940,000 and some of the members joined in the prevailing prediction that "one day, the City will actually have one and one-half million people."

Announcing the formation of the new exchange the "Chronicle," which had carried quotations and other data for the cotton trade, in its issue of Sept. 24, 1870 (Vol. 11, page 395), said:

"After long and patient discussion among the members of the Cotton Trade the New York Cotton Exchange has been finally organized and commenced operations on Monday last, in their very handsome and commodious rooms at 142 Pearl Street, the center of the cotton market. The present number of members is 132, comprising very many of the leading houses in the trade, and applications for membership are fast coming in. At present, the initiation fee is $200, with the annual dues of $25. Every member can be represented on the floor by an attorney on payment of annual dues.

"It is intended to make the Exchange the center of information, with regard to the cotton interests of the whole country. In view of its establishment the New York Board of Cotton Brokers was dissolved on the 1st instant, and they have cordially cooperated in the present organization. Much credit is due to Jas. F. Wenman, Charles A. Easton, Geo. Cornwall and other brokers for their disinterested expenditure of time and effort to bring it about."

In 1872, the business of the Exchange demanded larger quarters and, on May 4, 1872, the members moved to the building at the head of Hanover Square which was subsequently known as India House. Dimensions of the Exchange Room were 70 x 40 feet. The New York Cotton Exchange operated in these quarters from May 4, 1872 to April 29, 1885, a period of thirteen years.

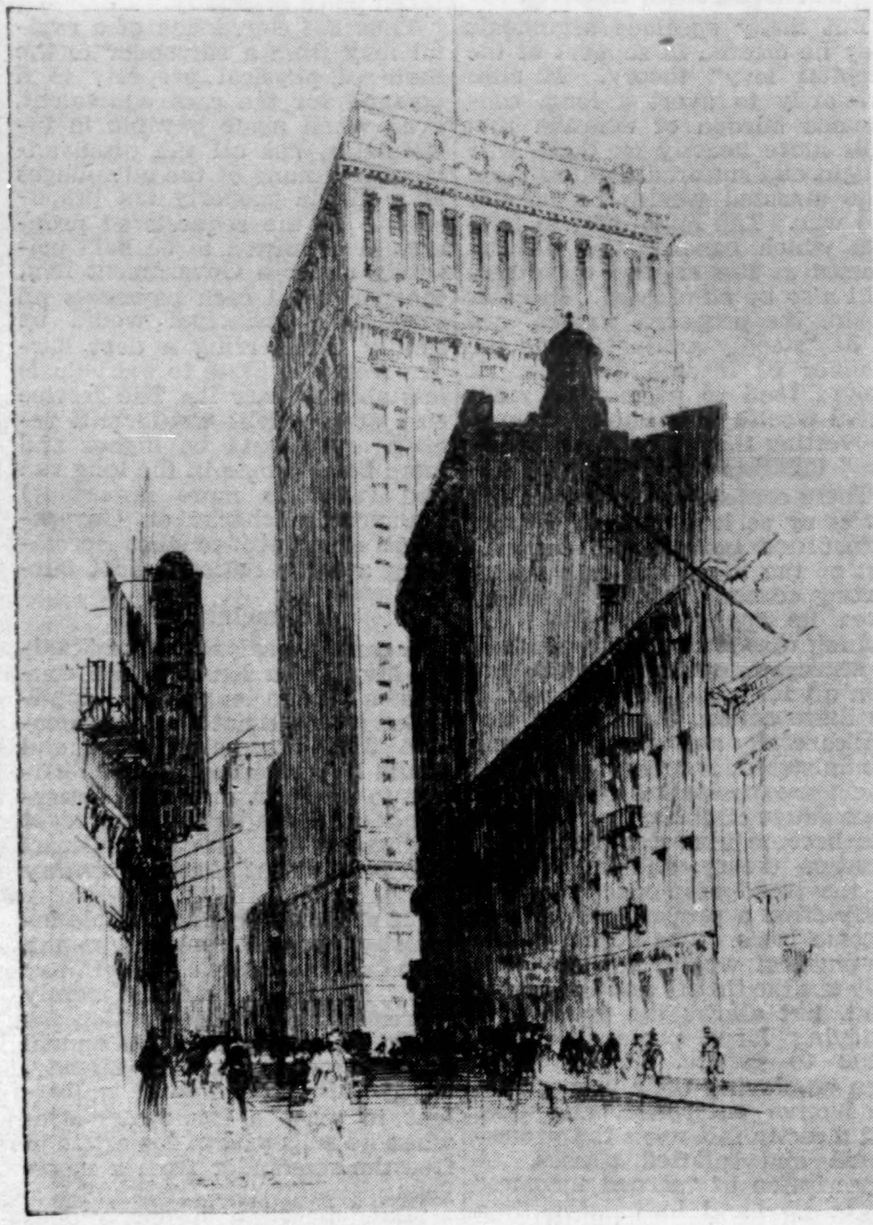
On December 6, 1880, the Board of Managers appointed a special Committee to consider projects for a new building. This Committee found it impossible to obtain title to the property adjoining the existing site of the Exchange. Among new sites considered was one on Battery Place, another on the northeast corner of Beaver and New Streets near the site of the present Produce Exchange, and still another, which finally was chosen, on the block bounded by William, Beaver and Pearl Streets. The corner-stone of the third New York Cotton Exchange location was laid on February 25, 1884. The new building was dedicated on April 30, 1885 with elaborate ceremonies held on the trading floor.

This building remained the home of the Exchange from April 1, 1885 until expanding business again made it necessary to enlarge the facilities. A Committee appointed by the Board of Managers in 1921, undertook to negotiate a building project and—after meeting and overcoming many difficulties caused by the effects of the World War—finally adopted plans by Donn Barber, and contracts were awarded for tearing down the existing building and for erection on the same site of the limestone edifice completed May 1, 1923, the present home of the New York Cotton Exchange. Pending erection of the present building the Exchange occupied

A prime factor in cheapening the cost of handling cotton in its movement from farm to mill is the reduction of price fluctuation risks through hedging. By maintaining a sound contract and a broad market the New York Cotton Exchange has rendered an outstanding service in this respect for 75 years. The applause and congratulations on this 75th birthday are well deserved; may there be many more years of meritorious service to all who are engaged in the production, merchandizing, and financing of cotton, and the manufacture of its many products.

ANDERSON, CLAYTON & CO.
INCORPORATED
COTTON MERCHANTS

## Present Home of Cotton Exchange



*The Exchange Building, situated at 60 Beaver Street, New York City, was erected in 1923.*

temporary quarters in a small space located at 90 Wall Street, at the corner of Water Street.

**Importance of the Exchange**

The New York Cotton Exchange is not only the oldest but the largest cotton exchange in the world, notwithstanding the expansion of the Liverpool Exchange because of the increasing importance of Egyptian cotton. It is a market or trading place for the purpose of buying and selling cotton on contract for future delivery. As a "spot" or "cash" market it is not as important as New Orleans or other Southern cotton distributing centers. Purchases and sales on the New York Cotton Exchange are made by auction or public outcry around a trading ring, and the prices consequently established are recognized and accepted by world traders as reflecting current values of American cotton.

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### Exchange Officials

Frank J. Knell

Tinney C. Figgatt

Mr. Knell, now Vice-President of the New York Cotton Exchange, headed the organization during 1937-1938. Mr. Figgatt is Secretary of the Exchange and has occupied this position since 1940.

The New York Cotton Exchange and its world-wide system of trading in cotton futures contracts was created to satisfy an essential economic demand of the cotton industry for trading in contracts calling for future delivery. It is the purpose of such contracts, as far as possible, to eliminate market price risks involved in the handling of raw cotton. The futures contract system provides a form of insurance against loss of invested capital through inventory losses incurred by price fluctuations.

Before large-scale operation of Southern cotton mills, cotton was shipped to New York City for financing, storage and sale to New England mills and European markets. There were times when mills and foreign importers wanted to anticipate their requirements of raw cotton by buying ahead, often before the size and quality of the annual crop had been established. On the other hand, there were times when producers and merchants wanted to sell for future delivery at a price to be fixed before delivery date. The New York Cotton Exchange evolved from the demand for a central market where such contracts could be negotiated at public auction. The new method displaced the evils and inconvenience of door-to-door trading then in vogue.

Memberships in the New York Cotton Exchange are widely distributed throughout all branches of the cotton industry on a world-wide basis. They are held by producers, merchants, shippers, mills, textile dealers, farmer cooperative organizations, and brokers. Stringent requirements for membership in the Exchange require that any prospective member satisfy the Exchange that he is a man of integrity and sound financial responsibility.

Through the futures contract system trading cotton is merchandised on a narrower margin than would otherwise be the case. By minimizing inventory losses resulting from price changes the cost of merchandising, fabricating and distributing cotton and cotton products is substantially reduced. Through protection of invested capital, the cotton futures system serves to facilitate the large-scale financing of inventory stocks. Also, protection of invested capital encourages investment buying and carrying of surplus stocks, and supply and demand forces are brought together from all parts of the world and are translated by open trading into a world price.

The futures contract system operates to reduce the spread between the prices received by producers and the prices paid by consumers to the advantage of both.

The New York Cotton Exchange is used by those engaged in every branch of the cotton business, its related industries, and principally by merchants and mills who employ its facilities for hedging as a means of price insurance.

**Services of the Exchange**

In addition to the privilege of buying and selling cotton at members' rates of commission, the members of the Exchange are supplied with all available information as to prices current in other markets of the world, data regarding the production, supply and distribution of the annual cotton crops of the United States and foreign producing countries.

Thus the most important function, as already stated, of the New York Cotton Exchange is to provide the cotton merchant, spinner and planter with a medium for insurance against price fluctuations, the term for which is "hedging". For example, if a cot-

(Continued on page 745)

Salute

TO THE

N. Y. COTTON EXCHANGE

ON ITS 75th ANNIVERSARY

IN 1870, the New York Cotton Exchange first opened its doors. Today, The National City Bank of New York joins the rest of the business world in paying tribute to this institution's long and distinguished record of achievement.

The past 75 years have brought many changes in the marketing and sale of cotton. But the years have served simply to emphasize the important role of the Exchange in serving the cotton industry.

During all this time, this Bank has stood close to the Exchange and its members. Through its Head Office at 55 Wall Street, and 65 conveniently located branches throughout Greater New York, it has provided a complete banking service to meet the industry's domestic needs.

And to cotton exporters and importers, National City's World-Wide Banking System has offered experienced, competent help in facilitating financial and trade transactions in every commercially important area of the globe. National City's 40 strategically located branches throughout Central and South America and the Caribbean—as well as those in India, the Philippines and England—are staffed with men and women who speak the language and are thoroughly familiar with customs and business conditions in their respective countries.

In congratulating the Cotton Exchange on its 75th anniversary and wishing it a long and successful future, the National City Bank takes this opportunity to pledge again its cooperation and facilities, both at home and abroad, to the Exchange and its members.

THE NATIONAL CITY BANK OF
NEW YORK

First in World-Wide Banking

Head Office
55 Wall St.

1812 1945

65 Branches in
Greater New York

*Member of Federal Deposit Insurance Corporation*

# The Capital Levy Plan for the Redemption of National Debts

(Continued from page 731)

*able to the War Debts of All Countries."* But, of course, these radical recommendations got nowhere. The American public, as happened after the Revolutionary War, insisted on upholding Alexander Hamilton's philosophy that individual integrity can never be maintained if national integrity is impaired.

### The "Capital Levy" After World War I

In the years immediately following the last war apprehensions of the economic burden of large national indebtedness again manifested itself throughout the world. The gross indebtedness of the civilized nations had risen in four years from $27 to over $250 billions. Economists and statesmen expressed the opinion that this tremendous debt burden would be a serious political and economic detriment to future progress and rehabilitation. It was an incubus that had been constantly growing, and it was not at all unreasonable that the richest and strongest nations were concerned about it, and that radical proposals to cast it off once and for all were seriously considered. A few of the former belligerents, as for example Russia, actually resorted to repudiation. Several others, notably the Central European Powers, succeeded in arriving at the same situation through drastic currency depreciation. Even France, in the stabilization of her monetary system, made no effort to compensate the holders of her obligations for the losses they incurred through currency devaluation. It was an indication that governments, like corporations, occasionally require financial "reorganizations" to keep going. History proves that nations, like individuals, can become bankrupt. There are, however, no international bankruptcy courts, so that each nation must settle accounts with creditors in accordance with its own ideas of integrity and justice.

As happened after previous periods of heavy war-time debt accumulation, schemes for effecting debt cancellation or extinguishment were proposed. In Great Britain the idea of a special levy on physical wealth gained the support of the British Labor party. It actually was proposed by the Fabian Socialists two years before the war ended, and was seriously considered and discussed by several leading British economists of the period. There were no general agreements, however, as to the limits of the proposal. Sidney Webb, the leader of the Fabians, would have the Government make a levy for debt extinguishment only on productive and industrial wealth. F. W. Pethick Lawrence demanded a more sweeping sequestration. He wanted all material goods privately owned, whether productive or non-productive, contribute pro rata towards national debt redemption. The State would not only levy on income producing property, such as land, factories, ships, railways and securities, but also on personal chattels, such as furniture, jewelry, pleasure cars and clothing. And he proposed that the taxpayer have the option of paying in cash or in goods. A millionaire could surrender a Van Dyke or a Rembrandt, while less opulent denizens could contribute rocking chairs or waistcoats. Under this plan it is assumed that the Government will be able to dispose of such property for cash or in return for its own obligations, but it was not made conceivable by the advocates that values could be maintained equally for all categories of property during the period of the segregation. However, several supporters of the "capital levy" realized the difficulty and sought to overcome it by providing for a partial payment system with the payments secured by a pledge of the sequestered property. The State would thus become a universal mortgagee, as pitiless, perhaps, as the rich rascals in the old-fashioned dime novels.

Aside from the feeble attempts in Germany to make a substantial levy on individual wealth during and following the last war, there were no large scale experiments made with the "capital levy." In Germany there had been imposed on several occasions heavy taxes on property for the support of the army or for war preparations, but this was in the regular form of a property tax and made payable in cash. Following the war and during the drastic inflation period a somewhat similar levy was made, called "Reichnotopfer" (sacrifice for the nation's need). And this, too, was made payable in instalments. But the currency depreciation progressed so rapidly that as the instalment payments accrued, the returns, from a revenue standpoint, were insignificant and there was, indeed, little in the way of "sacrifice" on the part of German citizens from this source.

### Hugh Dalton Favored It

One of the leading British protagonists of the capital levy after the last war was Hugh Dalton, recently appointed to the highly important position of Chancellor of the Exchequer in the new British Cabinet. While a teacher of public finance in the London School of Economics and also a Labor Party politician in 1923, he wrote a small book, widely circulated in England and also published in the United States, entitled "The Capital Levy Explained." In the opening passages he wrote:

"As a professional economist, specializing to some extent in problems of public finance, it became my duty several years ago to study this question with considerable care. As a result of such study, I formed the opinion, which I still hold, that the policy of the levy is fundamentally sound and indeed that until it is adopted our financial and economic prospects will remain needlessly dark, dangerous and difficult."

Later, in 1929, after two parliamentary committees had turned thumbs down on the capital levy proposition, and when its failure was in a way already demonstrated in Germany, Dalton wrote a text book, "The Principles of Public Finance." On page 265, of this work, in the chapter on redemption of public debts, he said:

"My own opinion [regarding the capital levy] still is in favor of the levy as the best policy, on merits, for dealing with the debt."

Yet, notwithstanding this view and his expected nomination to the exalted position of Chancellor of the Exchequer, with its dominating influence on fiscal policy, neither Dalton nor any other leading Labor Party candidate made an issue of the capital levy. It seems to have been smothered under the nationalization program of the party, and very little seems to have been said about it, despite the fact that it was one of the leading planks in the Labor Party's platform after the last war. Whether it will be revived, of course, will depend on the progress that the dominant political group makes in carrying out its proposed social and economic reforms. The outlook, considering Britain's precarious economic situation, is, to say the least, not very favorable for its success, and if Dalton's earlier view is correct "the prospects will remain needlessly dark, dangerous and difficult" without the capital levy.

### The New French Proposals

Now, in the aftermath of this war, it is France's turn to resort to "sacrifice taxes" and "national solidarity" imposts. According to a dispatch to the New York "Times," dated June 29, 1945, it is reported that the French will be called upon to pay two new taxes—a levy on capital, and another on the increase in an individual's wealth during the last five years.

"Minister of Finance Rene Pleven," continues the dispatch, "who has been working on these new taxes, described them and their necessity to the Cabinet at a meeting this morning. They will be presented to the Consultative Assembly within a few days.

"The levy on capital or 'patrimony,' as M. Pleven prefers to describe it, will be progressive and will be payable within four years. The rate proposed for fortunes in the lowest bracket is 3%; the highest rate will be 20% for fortunes exceeding 300,000,000 francs (about $6,000,000).

"To spur an increase in the birth rate, taxpayers with families will benefit by certain exemptions. Moreover, children born during the next four years will be taken into account for various reductions before the final payment of the tax is demanded.

"The levy on increment of wealth is intended primarily to penalize illicit or excessive profits realized during the war years by black market operations, trading with the enemy, and the like. The minimum rate now under consideration is 20%, and the maximum 100%. It will be due on increment of wealth between 1940 and 1945.

"M. Pleven admits that the control of such increment will not be easy, but he believes the measures he is preparing will leave few loopholes."

According to a wireless dispatch to the New York "Times," on July 30, the Consultative Assembly approved a tax on the increment of wealth and a capital levy by a vote of 233 to 2, after having raised the minimum capital affected from 100,000 francs, as proposed by Finance Minister Rene Pleven, to 200,000 francs. The measure, whose final form will be decided by M. Pleven, calls for a tax of 3 to 20%. Thus, France, like Germany after the last war, is to experiment with the capital levy.

It is reported that the French government, in order to carry out this program is taking a census of individual wealth. This census, which is to include all forms of property, is also to form the basis of the forthcoming levy on wartime gains, estimated to bring in Frs. 100-125 billion in four years; it will assist the Government in tracking down illegal and especially, black market transactions; and it should facilitate the efforts now made by the Government to curb the long-standing evil of tax evasion of which M. Pleven gave some striking examples in his Budget speech.

It will be noted that, in the above proposal, there is also an "instalment" feature and, though not stated, it is believed that the payments are to be made in cash. The effect of all this on the currency situation and on property values, of course, appears to be ignored. Also the difficulties in the assessment and collection of the tax or "levy," whatever Mr. Pleven prefers to call it. Judging by the experiences of Germany and other countries with similar levies, it may be assumed that the name "Impost of National Solidarity" will prove to be a misnomer, and that France, economically as well as politically, is more likely to be rent asunder politically than solidified by it.

### The Difficulties Involved

But many specious arguments may be offered in support of the "capital levy" theory. It aims primarily to avert a long, continuous burden of taxation that falls more heavily on those who fought and suffered than on those who amassed wealth because of the war. The huge interest burden which benefits the wealthy classes at the expense of others will also be eliminated. In cases where the proposed "levies" are to be "steeply graduated," in the manner of income exactions, it should tend to promote a more equal wealth distribution without subverting the "equality of sacrifice" taxation ideal.

These contentions, however, are offset by serious and inescapable difficulties, both in the carrying out of the ideal and in the distorting economic effects resulting from its application. Even assuming that it is entirely feasible to segregate, evaluate and apportion all forms of physical wealth by State action, the scheme, unless carefully and most accurately administered, is most inequitable. The mere possession of property is no gauge of ability to pay. This has become almost axiomatic in taxation theory, and is manifest in the trend of modern taxation away from a property toward an income basis. The appropriation of physical wealth by the State may tax the thrifty and the provident, but allows the spendthrift enjoying large professional income to escape. It handicaps men employing their property in productive enterprise, and does not directly fall upon the professional and salaried classes. A conscription of "earned incomes" might go hand in hand with a property assessment, but it is a difficult taxation problem to make these two schemes operate concomitantly. Income from services and income from investments—these two contituting "earned" and "unearned" incomes, respectively—are drawn largely from the same source, *viz:* industrial and other productive undertakings.

The State, however, reaps the full value of an income tax return without disturbing productive ability, whereas a sequestration of physical property (or, what amounts to the same thing, a heavy tax that may require disposal of part or all of physical property of an individual as happens in heavy estate levies) is likely to create widespread depreciation that may render property or goods almost worthless. Moreover, it would require an abnormal currency situation, since the State does not want to hold property sequestered and must dispose of it for cash, and the taxpayer, who is compelled to dispose of property to pay the tax in cash, must find others who have available cash or credit for the purpose. Thus there would be a temporary and possibly a terrific disturbance of the currency and credit situation. A short deflationary period would, in all probability, be followed by a long, disastrous inflation.

Regarding the immediate inflationary effects of the capital levy for the purpose of debt redemption, the late Lord Stamp, in his book "Wealth and Taxable Capacity," remarked:

"Every repayment of debt represents a considerable force making for deflation, in so far as debt is being used as collateral security forms a basis of credit. You withdraw such basis and the credit thereon shrinks with deflationary effects. It is possible, therefore, that a large repayment by a capital levy might have two sudden effects; first, the deflation would be so rapid as to dislocate business, and thus destroy the stream of productivity prematurely; and second, the immediate burden of the remainder of the debt might be greater both as to interest and principal than it would have been if deflation had taken place gradually."

Thus the conversion of a capital levy from a surrender to the State of physical property to a demand for the cash equivalent, even when made payable in instalments, has all the disadvantages and none of the advantages of a simple property tax proposition. If the sequestered property is permitted to be held privately under a Government lien, the periodical cash payments on account of principal would be simply transferring a debt burden from the State to individuals less able to bear it. The service cost of the debt would still remain and would be higher and more burdensome in the long run and (what is more important) without the checks on Government extravagance that accompany a large national debt burden.

### Conclusion

A careful analysis of the "capital levy" idea leads to the conclusion that in its practical application it would not be more effective than income taxation and would be exceedingly more difficult to apply in practice. It certainly could not be used as a "debt extinguisher." As John Stuart Mill pointed out almost a century ago:

"If property bore the whole interest of the debt, property might, with great advantage to itself, pay it off, since this would be merely surrendering to the creditor the principal sum, the whole annual proceeds of which were already, by law, his, and would be equivalent to what a landowner does when he sells part of his estate to free the remainder from a mortgage.

"But," he adds, "property does not pay and cannot be made to pay the whole interest on the debt." Mr. Mill then goes on to argue that physical property is not the only wealth that mankind has received from the past, and that the bulk of the accumulated wealth is in immaterial form and therefore is the common heritage of all. If advantage accrues to the individual from such intangible forms of wealth, it will be largely manifested in the form of "income," which may be taxable to the individual.

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# NY Banking Dept. On Securities in Vaults

Securities placed in bank vaults do not become abandoned property in New York State under a State law providing that certain funds held by banking institutions become payable to the State Comptroller if unclaimed for fifteen years, Attorney General Nathaniel L. Goldstein holds. Associated Press advices from Albany Aug. 7, reporting this, added:

Mr. Goldstein's ruling, made yesterday, was requested by Comptroller Frank C. Moore.

The Attorney General added, however, that in cases where the bank had the right under provision of an agreement with the owner to negotiate the securities, the proceeds may be considered abandoned property after 15 years.

In other opinions, Mr. Goldstein held that:

1. Undelivered funds, representing drafts, cable transfers and money transfers sent overseas through domestic banks, might not be deemed abandoned property.

2. Money deposited with a bank by a corporation in payment of notes or for stocks or bonds which have been unclaimed for 15 years is not abandoned property.

3. The Federal Reserve Bank of New York comes under the abandoned property law, by definition, as a "banking institution."

# Cotton Exchange Has Diamond Jubilee

(Continued from page 743)

ton merchant effects a sale of a certain amount of cotton to a spinner and finds it impossible or inadvisable to purchase the spot cotton at the time of sale, he directs a member of one of the Exchanges to buy for his account a corresponding amount of future contracts. When he buys the cotton in the South to fill his sale to the spinner, he immediately sells the future contracts bought as a "hedge." It therefore makes no difference to him whether the market meanwhile advances or declines, as he is protected against fluctuations in price, and if the market has advanced when he buys the cotton to deliver to the spinner against his sale, he must pay more for the cotton in the South. But the loss is offset by the increased price at which he is able to sell his future contracts. If, on the other hand, the market has declined, the loss incurred in the sale of his future contracts at lower than the purchase price is offset by the correspondingly lower price at which he is able to buy his actual cotton.

The following are present officers of the New York Cotton Exchange:

President, William H. Koar; Vice-President, Frank J. Knell; Treasurer, Benedetto Lopinto; Secretary, Tinney C. Figgatt.

Managers: Eric Alliot, Tinney C. Figgatt, Jere M. Locke, Arthur J. Pertsch, Charles B. Vose, John C. Botts, Edward A. Hillmuth, Robert J. Murray, Charles Schudt, Philip B. Weld, J. Henry Fellers, William W. Kirby, George Nichols, Charles Slaughter, Thomas J. White.

Assistant to the President: Fred P. Lordan; Assistant Secretary: John J. Scanlan.

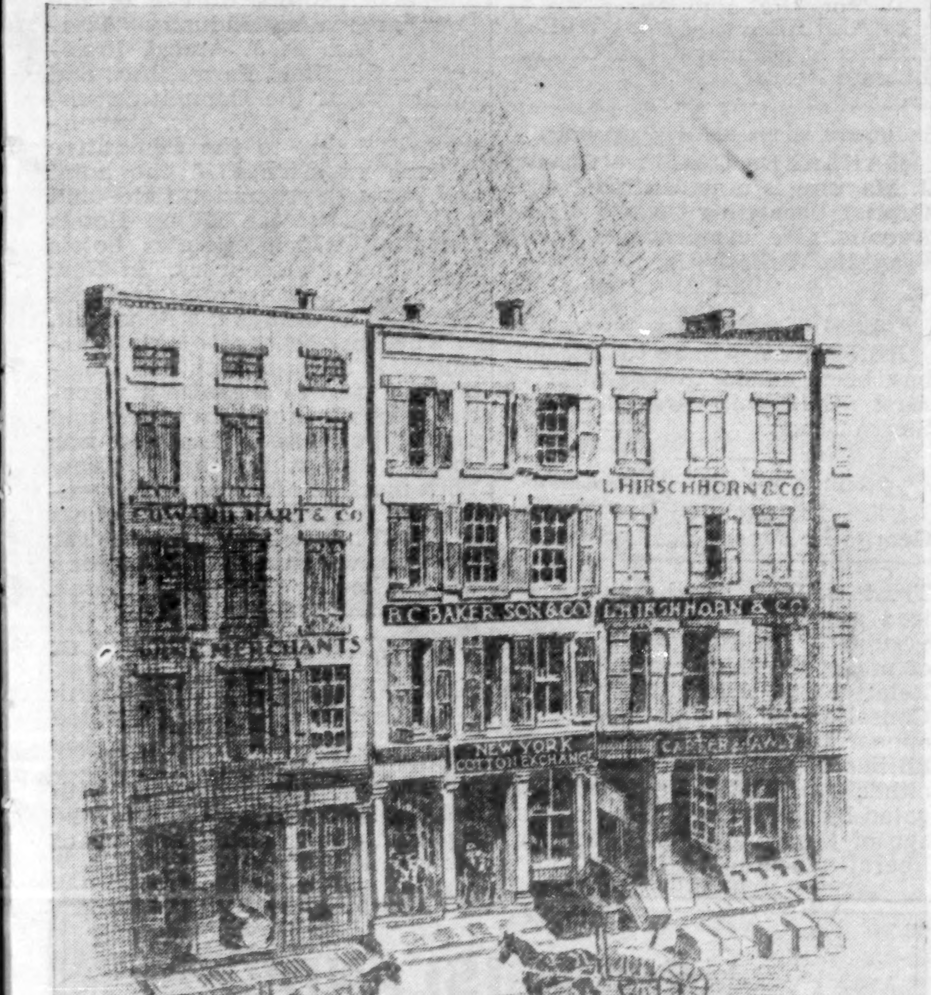
The New York Cotton Exchange now has approximately 430 members. This membership is distributed over the entire Nation and foreign countries, and enjoys representation in all segments of the cotton industry. Numbered among its members are planters, ginners, warehousemen, merchants, manufacturers, bankers, etc.

# Denver Bond Club and IBA Frolic Gets Pushed Around

DENVER, COLO.—A feature of the annual frolic of the Rocky Mountain group of the Investment Bankers Association and the Bond Club of Denver was a wheelbarrow race. The head of each firm in the line-up planted himself in a wheelbarrow and was pushed by four selected men, each of whom would go for a distance of 50 feet. The pushees were Norman C. Barwise of Merrill Lynch, Pierce, Fenner & Beane; Walter J. Coughlin of Coughlin and Company; Donald C. Bromfield of Garrett-Bromfield & Co.; William P. Sargeant of J. A. Hogle & Co.; William E. McCabe of McCabe, Hanifen and Company; John T. Webb of Otis & Co.; Amos Sudler of Amos C. Sudler & Co.; Ernest Stone, of Stone, Moore & Co.; Frederick Walter of Walter-Webb & Co.

Other activities included golf, archery, skeeter shooting, putting, bat contest, soft-ball game, a "clock" game and the "sweepstakes."

# First Home of the New York Cotton Exchange



The Exchange occupied the above quarters, located at 142 Pearl St., New York City, during the period from Sept. 1, 1870, to May 4, 1872. It is now housed in the pretentious structure situated at 60 Beaver St., New York City The new building, erected in 1923, is shown in the photograph appearing on page 743.

# London Comment

(Continued from first page)

planning for the next International Chamber of Commerce Congress Meeting."

Assistant Secretary of State Clayton has advised that British lend-lease end with the war, that through it America has fulfilled whatever financial obligations it had toward her Allies, that the problem of blocked sterling balances is not America's problem, that Washington will sympathetically entertain any official British request for a loan on interest-bearing terms.

One active lend-lease problem is how to dispose of the still unutilized supplies here in England.

### The Expected Loan from U. S.

Many informed Americans and Britishers in London are expressing annoyance over the London "Economist's" demand for a six billion dollar American gift as the price paid to Britain for ratifying the Bretton Woods Agreement. The "Economist," though unofficial, represents and influences a school of thought, recognition of which prompted Secretary Clayton to speak plainly, if diplomatically, to the British Government.

Under the caption, "Stand and Deliver," the London "News Chronicle's" financial editor stingingly rebukes the "Economist," calling its proposition staggering and saying Americans won't fall for this amiable plan which would rob Peter to pay Paul, namely rob America to pay India, Egypt, Australia, etc. This debate between Britishers is deplored by those seeking to perpetuate Anglo-American cooperation into the atomic peace, especially since threat of a self-sufficient Sterling Area is widely regarded as unachievable.

A Congressional gift or loan, perhaps both, is expected here, but it would have to be shared with India and other countries of the Sterling Bloc.

The United Nations Rehabilitation and Relief Organization's prolonged meetings here, is again demonstrating Russia as the problem child of international conferences. The vote at the meeting reveals the existence of a considerable Russian bloc. The Russian, Italian, Australian and Chinese current needs will virtually exhaust UNRRRA's prospective resources.

### Reappointment of Keynes

The recent announcement of the reappointment by the Labor Government of Lord Keynes as advisor to the British Treasury is taken in London as a sign that the Government needs some clear and easy replies to the questions being asked by rank and file members of the party. Keynes is a liberal, but of course not a Laborite.

The man in the street in England, the man the Labor Government must please—for it was the middle class that put Labor in power this time—is not much interested in having the big private banks nationalized, although the nationalization of the Bank of England is another matter. The Big Five joint stock banks have hundreds of branches which hold the deposits of the middle class people. Therefore, any measure likely to weaken public confidence in those large banks is likely to be avoided.

Towards large American banks like Chase and National City, the average Londoner is said to be much more suspicious. Those institutions are regarded here as highly imperialistic enterprises, exerting a powerful influence on American government policies. Because of this strange belief the general reaction here to the news a few months ago of a Wall Street loan to the Netherlands was unfavorable. Britishers concluded that American commercial banks were bursting with dollars which they wanted to lend all over Europe. To the man of the street in London, loans by the Export-Import Bank to European countries are much more palatable.

The British are extremely sensitive to the flight of capital, and want to prevent it at all costs. To the same man of the street, multilateral convertibility of exchanges is synonymous with freedom of the wealthy to take their capital abroad. Here is an important clue to the British fear that Bretton Woods involves dangers to this country.

The British, of course, have something of a phobia over the so-called "rigidities of the gold standard." They attribute their troubles of 1931 to that monetary system. Between that British attitude of the masses and the gold views of Mr. Winthrop Aldrich of the Chase National Bank, who is now in London, there is the widest gap.

# Livingstone & Co. Opens in San Francisco

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF.—Livingstone & Co. has been formed with offices at 206 Sansome Street, to conduct a general investment business. Officers are Willard H. Livingstone, President and Treasurer; Clara N. Livingstone, Vice-President and Director, and Thelma C. Watson. Director.

Mr. Livingstone was formerly President of Bankamerica Company in San Francisco. Associated with him in his new firm will be William H. Bluhm and Charles R. Livingstone, both of whom were with First California Company.

# Now With Mason Bros.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF.—**Ivan E. Miller** has become connected with **Mason Brothers**, Central Bank Building. Mr. Miller was formerly with Frank Knowlton & Co.

# Monetization of Idle Silver by Treasury

The monetization of 300,000,000 ounces of silver planned by the Treasury will about exhaust idle stocks available for that purpose, a spokesman stated on Aug. 11, according to Associated Press advices from Washington on that day, which went on to say:

"The monetization, which will take place from time to time rather than all at once, will make possible the issuance of about $387,000,000 in silver certificates," the spokesman said.

"The Treasury has approximately 700,000,000 ounces of silver bullion, unpledged for money. About 400,000,000 ounces is being utilized temporarily in war industry or has been transferred to other governments under lend-lease. The latter arrangement is made under a definite pledge of return.

"It is probable the new silver certificates will be $1, $5 and $10 bills, for these are in greatest demand. Silver certificates run as high as $1,000, but of this top issue there are only 10 in circulation.

"Incidentally, there are still about 36,000,000 $2 bills in circulation, despite reluctance of many people to carry them. About 1,500,000 are silver certificates.

"Monetization of the 300,000,000 ounces will make the Treasury a paper profit of about $246,000,000, for as 'free silver' it is carried on Treasury books at cost, which averages about 47 cents. As monetary silver it rates a value of $1.29 an ounce.

"Because of demands from other countries and by industry the Government has bought little silver since 1942."

# Feromack Securities Corp.

(Special to THE FINANCIAL CHRONICLE)

ST. PAUL, MINN.—Feromack Securities Corporation has been formed with offices in the Guardian Building to engage in an investment business. Officers are Frank J. Ferrin, President; Jay V. McCoy, Vice-President, and William H. Gurnee, Secretary and Treasurer.

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## Howard Rath Joins Sutro & Co. in L. A.

LOS ANGELES, CALIF.—Howard G. Rath has become associated with Sutro & Co., Van Nuys Building, it is announced by Frank F. Hargear, resident partner. Mr. Rath, one of the senior members of the Los Angeles Stock Exchange, who maintained his own brokerage and investment firm in Los Angeles for 35 years, has just been discharged from active overseas duty with the A. A. F.

## Greene & Co. Admits Eugene Ward as Trader

Greene & Co., 37 Wall Street, New York City, announce that Mr. Eugene Ward, formerly with Petronio & Co., has become associated with them in their trading department.

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# Railroad Securities

## Denver & Rio Grande—Status of Reorganization Plan

When the U. S. Circuit Court of Appeals, on May 10, 1945, reversed the District Court which had approved the last of many plans approved by the Commission, doubts were raised as to whether the Denver plan would be consummated. In fact, the market in "when issued" profits on Denver securities, around 70% prior to that decision, plummeted downwards to 30%, at which level a nominal market exists.

To properly appraise this Circuit Court of Appeals decision, an understanding of the historic decisions of Justices Douglas and Reed in the Milwaukee and Western Pacific cases, respectively, is necessary. In essence both justices reaffirmed absolute priority, as originally upheld earlier in the century in Northern Pacific vs. Boyce. The Circuit Court in the Denver case followed the precedent set in the Milwaukee and Western Pacific cases. These justices (CCA) emphasized that with total capitalization of the reorganized company insufficient to satisfy in full all claims against the debtor, there arose a contest between various holders of different rank or priority. With claims of senior bondholders satisfied in full, the Circuit Court held that junior bondholders had been unfairly treated in that (1) net increase in working capital of $10 million had been at the expense of junior bondholders as were also (2) prepayment of Rio Grande Junction Railway 1st 5s ($2.7 million), (3) release of Utah Fuel Co. without crediting the claim for the value of the collateral, (4) retirement of $1.2 million of equipment trust obligations and (5) substantial new capital expenditures, including Centralized Traffic Control, all of which will make the Denver a more efficient carrier post-war.

An appeal may be filed in the U. S. Supreme Court for a writ of certiorari. More probable is the remanding of the plan to the Commission and the rewriting of a new plan.

Under the presently proposed plan, attacked so vigorously by the Circuit Court of Appeals, fixed debt was to have been reduced from $147.12 million (including obligations of Denver & Salt Lake) to $55.6 million, and including contingent debt, to $74.71 million. New fixed charges would have been reduced from $6.6 million to $1.69 million and including contingent interest (but excluding capital fund and sinking funds) to $3.83 million.

During the reorganization period Denver has virtually rebuilt its property, installing Centralized Traffic Control throughout practically all of its system. Gross capital expenditures in the period 1937-44 totaled $43.7 million, equivalent to $15,541 per equated track mile, second to New Haven as among the reorganization carriers, and total maintenance expenditures amounted to $111.4 million, equivalent to $39,599 per equated track mile.

Denver benefited greatly from the war, being an essential link together with Western Pacific in providing a western terminus for traffic interchanged with the MOP at Pueblo and the Rock Island and Burlington at Denver. As compared with average gross of $27 million in the 30s, war time revenues reached $73.69 million in 1944. Applying these earnings to the Commission plan as approved by the District Court, but reversed by the Circuit Court, fixed and contingent charges on an overall basis would have been covered as much as 4.75 times in the peak year 1942, with earnings of $44.26 and $36.32 per share on preferred and common stock, respectively. We estimate that in a "normal" post-war year, net available for charges should reach $8 million. This would have provided an overall coverage of 2.08 times with earnings of $12.80 and $7.22 for both the preferred and common stocks, respectively.

Finances of the Denver are satisfactory, as of March 31, 1945, working capital totaling $16.76 million as compared with only $2.94 million at Dec. 31, 1938. Denver's net investment in emergency facilities, amortizable on a five-year basis, amounting to $13.2 million at the end of 1944, will doubtless be translated into working capital (to the probable extent of 60%) through the medium of tax credits.

Taxes of the Denver have mounted rapidly, Federal income and excess profits taxes reaching $6.81 million in 1943, $5.15 million in 1944 and $2.48 million for the first four months of 1945. These taxes provide the Denver with an excellent cushion against the inevitable decline in both gross and net earnings in the reconversion period.

With odds now in favor of a new plan, the more junior of the Denver bonds, particularly the 5s of 1955, appear to possess speculative attractiveness. The senior 1st Trust 4s, 1939, can be characterized as a good conservative investment, affording possibilities of moderate further appreciation. Relative to risks involved, the Consolidated 4s and 4½s, 1936, appear to possess greatest possibilities of profit in the event of either a new plan being promulgated by the Commission or passage of the Hobbs Bill with more liberal allocation.

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# Broker-Dealer Personnel Items

***If you contemplate making additions to your personnel please send in particulars to the Editor of The Financial Chronicle for publication in this column.***

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, CALIF.—**Frank D. MacNaughton** has been added to the staff of **Boston Commonwealth Corp.**, 9631 Wilshire Boulevard.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO—**Theodore Stratton** is with **Cunningham & Co.**, Union Commerce Building.

(Special to THE FINANCIAL CHRONICLE)

KANSAS CITY, MO.—**Theodore F. Houx, Jr.**, has joined the staff of **Herrick, Waddell & Co., Inc.**, 1012 Baltimore Avenue.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**J. H. Wichman** has joined the staff of **Crowell, Weedon & Co.**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—**Harry F. Maidenberg** is associated with **Investment Fund Distributors**, 650 South Spring Street.

(Special to THE FINANCIAL CHRONICLE)

MIAMI BEACH, FLA.—**William J. Hills** is with **Atwill & Co.**, 605 Lincoln Road.

(Special to THE FINANCIAL CHRONICLE)

OAKLAND, CALIF. — **Charles J. Maguire** is now affiliated with **Capital Securities Co.**, 29 Grand Avenue. He was previously with Franklin Wulff & Co.

(Special to THE FINANCIAL CHRONICLE)

RENO, NEV.—**Robert F. Schmitt** has been added to the staff of **First California Company**, 55 Sierra Street.

(Special to THE FINANCIAL CHRONICLE)

ST. PETERSBURG, FLA.—**George H. Thorpe** has become associated with **Thomson & McKinnon**, 340 Central Avenue.

(Special to THE FINANCIAL CHRONICLE)

SAN FRANCISCO, CALIF—**Frank Paul** is with **First California Company**, 300 Montgomery Street.

(Special to THE FINANCIAL CHRONICLE)

SANTA MONICA, CALIF.—**Sergius L. Rolbein** has become affiliated with **E. F. Hutton & Co.**, 936 State Street.

(Special to THE FINANCIAL CHRONICLE)

WATERLOO, IOWA — Archie W. Linde is with **Slayton & Co., Inc.**, 111 North Fourth Street, St. Louis, Mo.

## Carpenter Named to Convention Group of Commerce Ind. Assn.

Dean Carpenter, general manager of the Roosevelt Hotel in New York has been appointed a member of the Executive Committee of the New York Convention and Visitors Bureau of the Commerce and Industry Association, Inc., F. J. Andre, President of Sheffield Farms, Inc., and Chairman of the Committee, announced on Aug. 7. Mr. Carpenter will bring to the Committee a wide experience in the hotel and business promotion fields and will represent the Hilton Hotels Company which operates hotels throughout the country. In New York, the Hilton group includes the Plaza as well as the Roosevelt.

"The appointment of Mr. Carpenter is in line with the Committee's plan to organize a vigorous campaign for convention and tourist business in the post-war years", Mr. Andre said. "New York must be ready to enter competition for the millions of dollars in travel business in the post-war era for which the competition will be keener than ever before".

## Denison With Mitchum Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, CALIF.—Frank J. Denison has become affiliated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Denison in the past was associated with Calvin Bullock, which firm he represented in various sections of the country.

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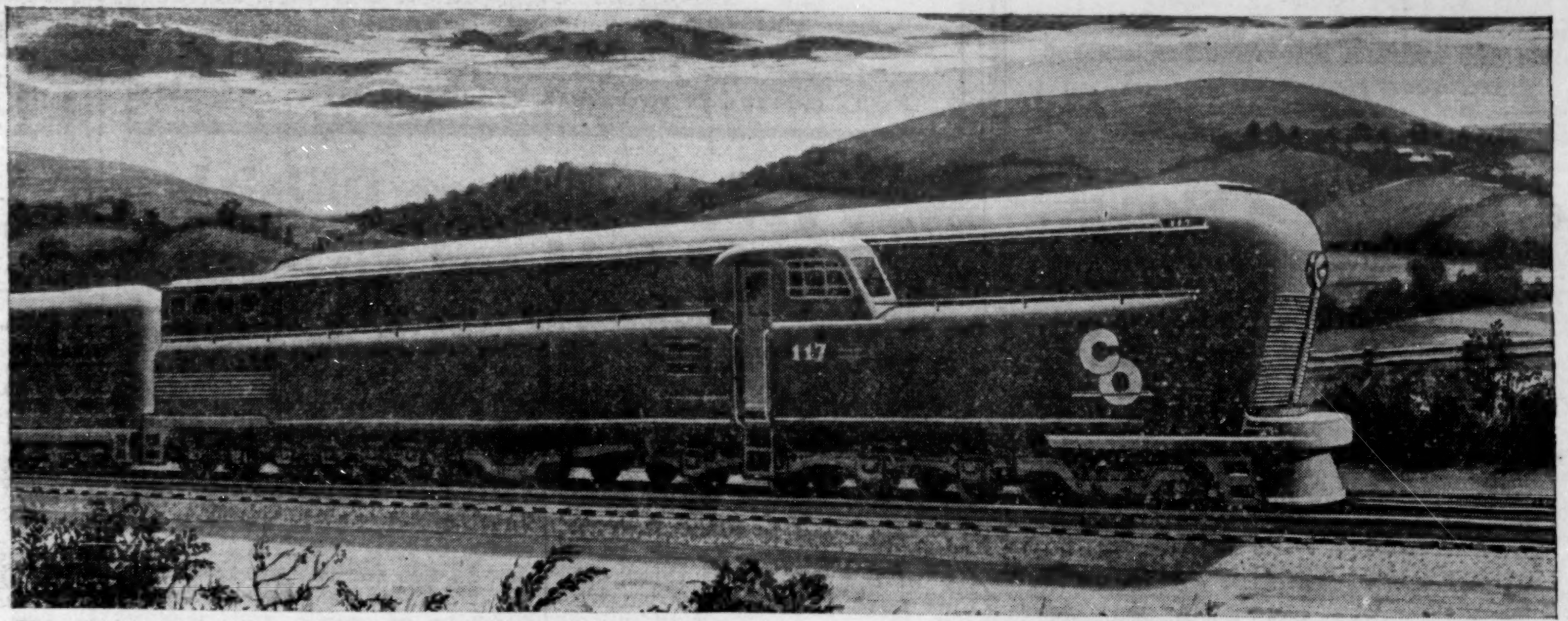

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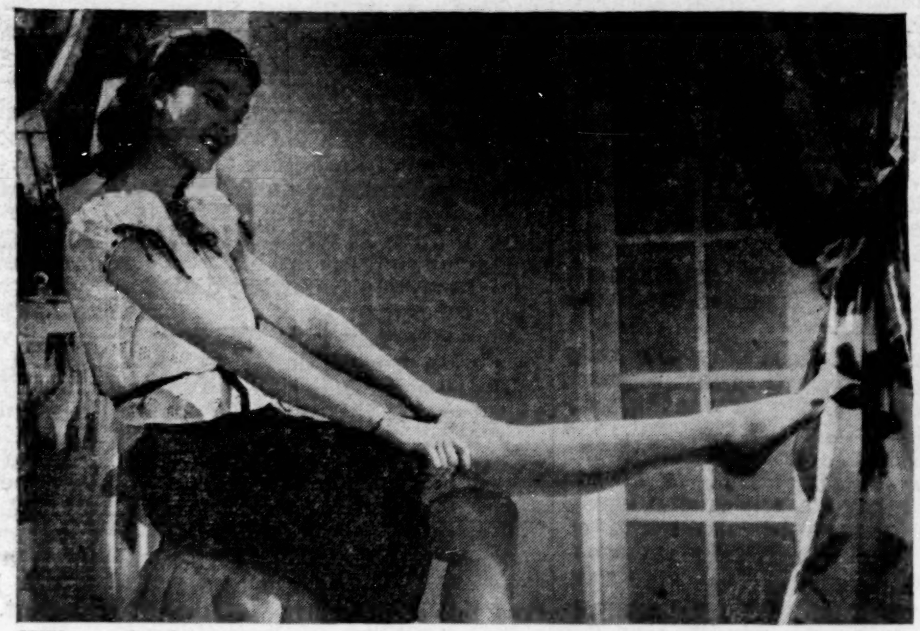

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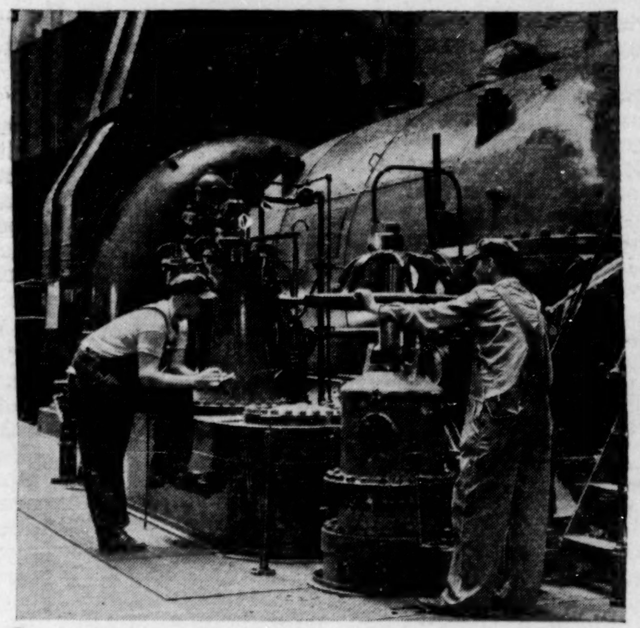

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# Bank and Insurance Stocks

## This Week — Insurance Stocks

**By E. A. VAN DEUSEN**

Insurance stock prices have followed the general downward reaction of the market since the break from the high on June 26. The comparative decline of fire stocks, casualty stocks and industrials has been as follows:

| | June 26, 1945 | Aug. 8, 1945 | Decline |
|---|---|---|---|
| Dow Jones Industrials | 168.92 | 161.83 | —4.2% |
| Std. and Poor Fire Stock Index | 129.8 | 121.1 | —6.7% |
| Std. and Poor Cas. Stock Index | 164.4 | 159.0 | —3.3% |

It will be noted that the fire stocks went off more than the Dow Jones Industrial Average, while casualty stocks went off less. From the first of the year to the June 26 high, however, fire stocks had advanced somewhat more rapidly than industrials, though not as rapidly as the casualty stocks.

| | Dec. 31, 1944 | June 26, 1945 | Advance |
|---|---|---|---|
| Dow Jones Industrials | 152.32 | 168.92 | 10.9% |
| Std. and Poor Fire Stock Index | 116.3 | 129.8 | 11.6% |
| Std. and Poor Cas. Stock Index | 143.0 | 164.4 | 15.0% |

A few individual stocks resisted the decline. For example, the bids on American Surety and Springfield Fire and Marine were the same on August 8 as on June 26, viz: 65 and 116½ respectively, while the bid on Security of New Haven declined only one point, from 34 to 33. On the other hand, relatively severe declines were sustained by Hanover Fire, whose bid dropped from 28½ to 25⅝; Hartford Fire, which dropped from 111½ to 101½; Home, from 28¾ to 26; Insurance of North America, from 101 to 93½; National Fire, from 60 to 56½, and Phoenix, from 90¼ to 84.

It is perhaps of interest to look back eight years to the summer of 1937. On June 23rd of that year the stock market, as represented by the Dow Jones Industrial Average, was approximately at the same level as the high of June 26, 1945. But fire and casualty insurance stocks were considerably lower than they are to-day. The relative position of the three groups of stocks is as shown in the following table:

| | June 23, 1937 | June 26, 1945 | Change |
|---|---|---|---|
| Dow Jones Industrials | 169.01 | 168.92 | ----- |
| Std. and Poor Fire Index | 101.4 | 129.8 | +28.0% |
| Std. and Poor Cas. Index | 106.3 | 164.4 | +54.7% |

Despite this advance of the insurance groups while industrials merely regained their former level, and which advance puts the fire and casualty stocks above their previous 1936-37 highs of 124.3 and 131.0 respectively, they are still priced, with few exceptions, at a discount from their current liquidating values.

Operating results of a few leading companies for the first six months of 1945 have been published. Insurance Company of North America, for example, reports substantial gains in assets, policyholder surplus and premium volume. Net premiums written were 11% greater than during the first half of 1944; underwriting profits were at a break-even level while net investment income was up 11½%. Total net operating profits were $1.43 per share compared with $0.72 for the similar period last year, and parent company liquidating value was $108.14.

St. Paul Fire and Marine also reports increased premium volume, profitable underwriting operations, and substantial gains in total assets and policyholder surplus. Consolidated liquidating value was $70.33 compared with $63.86 on December 31, 1944.

Continental and Fidelity Phenix, co-owners of the America Fore group, report substantial increases in premium volume over the first half of 1944. Continental's assets and policyholder surplus were up appreciably; the latter figure was $107,209,369, marking the first time in the company's history when it has exceeded $100,000,000. Both companies report moderate underwriting profits and improved net investment income. Liquidating values, on a parent company basis, are reported at $59.41 for Continental, and $65.06 for Fidelity Phenix. This compares respectively with $52.39 and $56.58, as of June 30, 1944.

As regards casualty companies, so far as reported, premium volume in general is above the first half of 1944, but the record is spotty. Twenty companies, as thus far compiled by Best, show aggregate results as follows:

| | |
|---|---|
| Admitted assets | up 8.9% |
| Policyholder surplus | up 12.9% |
| Premium reserves | up 6.3% |
| Net premiums writtetn | up 3.2% |
| Loss Ratio | up from 44.2% to 45.7% |
| Expense ratio | up from 41.0% to 42.6% |
| Stat. und. profits | down 20% |
| Net investment income | up 15% |
| Dividends | up 1.5% |

Well selected fire and casualty insurance are basically sound propositions, and, on a long term basis, all things considered, they appear currently to be somewhat undervalued.

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# Some Federal Reserve Officials On Gold and Fiat Money

(Continued from page 730)

The dialogue continued: "Mr. Eccles: Very, very well. I feel that we certainly do not need to impose on ourselves these reserves, and if we did not choose to impose reserves we could suspend the reserve requirement altogether, such as the British and Canadians and every other country in the world has done, and they have done it very successfully.

"Senator Murdock. I doubt it very much.

"Mr. Eccles. Very well, I would like to see it done" (pp. 21-22).

* * *

"Mr. Eccles. If you wanted to, you might very well issue them without anything back of this currency, anything back of the Federal Reserve note, as I have advocated for a long time. When the Banking Act of 1935 came along I urged that we eliminate the collateral. It passed the House at that time.

"We are practically the only country in the world that requires collateral. So, if you want to, why not cut off the collateral, the Government bonds back of the money and go ahead as almost every other country in the world does. It is a serious waste of money and an entirely unnecessary one.

"Senator Murdock. I am not arguing the point with you. I just wanted to get the point clear.

"Mr. Eccles. Why have gold or collateral, Government bonds back of your currency? This is the currency of the United States Government, and they are the backers of that money. Why have any collateral back of that?" (p. 29).

"Mr. Eccles. . . . The fact that we have back of our currency gold or securities in no way aids this country. Whether or not you have backing to your currency in no way restricts the issuance of the currency. I want to emphasize that" (p. 34).

* * *

"Senator Murdock. You don't think gold plays any part at all in the fact today that the dollar is the most desirable exchange?

"Mr. Eccles. I don't think so" (p. 47).

### Ruml's Views

Beardsley Ruml, Chairman of the Board of Directors of the Federal Reserve Bank of New York—a chief representative of the Reserve Board on this Board of Directors—says in his book **Tomorrow's Business** (Farrar & Rinehart, Inc., New York, 1945), p. 186: "In an essential and final sense, the value of the [Federal Reserve] notes lies, not in their convertibility into gold and other commodities, but in the fact that they can be used to discharge obligations which are enforceable under the law."

And on pages 185-186 he says: "We all know that we can no longer turn our money into gold. We wonder, sometimes, what makes our money good." He says, further, pages 186-187: "The fact that paper dollars are legal tender gives them a certain value; what this value will be depends on how scarce or how plentiful these dollars in use for the purchasing of things are as compared with the quantity of goods and services offered for sale."

### John H. Williams' Views

John H. Williams, Vice President of the Federal Reserve Bank of New York, and of the faculty of Harvard University, in his testimony on the Bretton Woods Agreements bill, before the Committee on Banking and Currency, United States Senate (**Hearings,** Part 4, June 21 and 22, 1945) revealed something of his position on gold in the following dialogue (pp. 343-344):

"Senator Murdock. When you talk of a 'sound dollar' referred to by Senator Millikin, do you—I will put it this way: Of necessity must there be a gold base in order to have a sound dollar?

"Mr. Williams. I don't think so."

* * *

"Senator Murdock. He [Eccles] thinks that gold is not at all necessary—

"Mr. Williams. I don't think it is.

"Senator Murdock. To a sound currency.

"Mr. Williams. I think under modern conditions even the gold standard is a different thing from gold. One can set up a standard which he calls the gold standard and not have any gold in it at all, and yet it would be what we essentially mean by a gold standard, if you have fixity of exchange rates and a flow of currency from country to country, for example, through the use of the fund with no gold in it, or the use of Keynes' clearing union; and if that international money transfer affects bank reserves and bank deposits in the way that a gold flow would, then you have all the essentials for a gold standard without any gold.

* * *

"Senator Taft. May I quote Mr. Eccles and see whether he agrees? Mr. Eccles reduced the gold back of the Federal Reserve notes from 40% to 25%. Mr. Eccles said that he saw no necessity for any gold reserve and that the volume—he was willing to fix 25% as a concession to an outworn prejudice. I remember his language.

"Mr. Williams. I agree with him."

* * *

"Mr. Williams. I remember when we were all discussing the Bank Act of 1935. One suggestion I made in discussing the Bank Act of 1935 was that the gold reserve behind the Federal Reserve note be removed. That is unnecessary

"Senator Murdock. Well, may I ask this question: Do you think that there must be a common denominator in the form of gold if an international fund such as we are discussing is to be successful?

"Mr. Williams. Well, I do not think so. You might approach the problem another way: If you have gold and it has been the international monetary unit, what advantages do you see in giving it up? That is a different question. I believe in evolution, not revolution. I don't see any reason why we ought to give up gold as an international money if we can find effective ways of using it. The thing is to make the system work. The difficulty isn't with the gold; the gold is all right. It has some advantages. One very large advantage is that a lot of people believe in it. That is important.

"Senator Murdock. It is very important.

"Mr. Williams. It is very important.

"The Chairman. Of psychological importance.

"Senator Murdock. I want to get all the gold I can out of the banks.

"Mr. Williams. People will accept gold in payment when they won't accept other things. Now, that is just so. But it is a different question when you ask do I think you could set up a monetary system without gold. I think the answer is 'yes,' except under more primitive conditions. It is an evolution, really, to the point where you don't need gold, if you can reserve it.

"Senator Millikin. I should like to suggest that the individual not only likes gold, but recent testimony has shown that those nations that have dollar balances here are in a very big hurry to have them more and more in gold.

"Mr. Williams. Is that right?

"Senator Millikin. I should like to ask this: If you do not believe that a sound dollar requires a gold reserve, does it require a sound printing press?

"Senator Murdock. A sound what, Senator?

"Senator Millikin. Printing press. [Laughter.]

"Mr. Williams. I don't know what the word 'sound' means.

"Senator Millikin. Well, one that will work rapidly and gush out lots of paper money."

### Fallacies Expressed

There are various accurate generalizations that one might appropriately make regarding the significance of these expressions of

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opinion, taken collectively, in respect to the alleged unimportance of gold in our currency system, assuming that we all desire the best that human ingenuity can devise in the light of the world's experiences with different kinds of money and monetary standards. But because of the differences in the observations made by the three men, as well as the different considerations applicable to each, it seems preferable to examine the views of each man separately.

Chairman Eccles definitely asserts that the idea of maintaining a gold reserve back of our currency is archaic, that reserve requirements are unnecessary, that the Federal Reserve notes could very well be issued without anything back of them, that gold and securities behind these notes "in no way aids this country," and that gold does not play any part at all in the fact today that the dollar is so desirable in foreign exchange.

These opinions, expressed by Chairman Eccles, are significant only because of his official position. They have no value in so far as they may be supposed to reflect the lessons which the world's experiences with money have taught. Indeed, they are a contradiction, in every major respect, of these lessons. They are nothing but the crudest sort of a fiat paper money theory of the value of money, and they are as old and as unsound as inconvertible paper money itself. Such ideas are common among laymen who have not studied or do not understand the lessons to be derived from the world's use of inconvertible paper money, but they are not to be found among the conclusions of careful, objective, and reputable scholars.

It would perhaps serve no useful purpose to take space to pile up samples of the available evidence which refutes every contention made by Chairman Eccles. Our libraries on money are full of reputable works which would deny the validity of his notions.

If it be true, as this author asserts, that Chairman Eccles' views on money are in direct conflict with what the world's experiences with money teach, then, perhaps, the question of most importance to the reader and to the country is whether Mr. Eccles has the power to force his views into our laws. It is not easy to say; he has "accomplished" some things in this direction. One may recall the part he played in converting $660,000,000 of Federal Reserve bank notes into a fiat paper money (so-called National Currency notes), beginning in December, 1942. But his influence in behalf of a fiat paper money in that case was shown not by his being able to persuade Congress to write his theories into law but by a violation by the Reserve and Treasury authorities of the laws of Congress relating to the issuance of those notes. By a law, signed on June 12, 1945, Congress put an end to the further issuance of these notes.

One of the peculiar and paradoxical features of this law of June 12, the main provisions of which were directed toward the reduction in reserve requirements of Federal Reserve banks, is in the fact that the reserves now provided for, with the approval, and, apparently, upon the recommendation, of Chairman Eccles, were restricted to gold certificates—the paper money most closely tied to gold—while all other Treasury currency was excluded as lawful money for reserves in these banks. In the light of his theories, Chairman Eccles should have fought for the exclusion of gold certificates and the inclusion of all non-gold money, particularly his fiat National Currency notes, as reserves for the Federal Reserve banks in so far as the quality of the reserves is concerned and recognizing, of course, that he insists that reserve requirements for these banks should be suspended altogether.

In short, it is the judgment of this author that the Eccles theories in respect to gold, reserve requirements of banks, and fiat paper money are chiefly fallacious and extremely dangerous in the light of the lessons taught by the world's experiences with money, and that in his policies and practices one finds little beyond contradictions and inconsistencies in so far as principle is concerned.

### Criticism of Ruml

Beardsley Ruml's theory as to the value of money is that of the fiat paper money quantity school of thought. This is a thoroughly discredited theory among careful and experienced monetary scientists. It is the type of thinking found, apparently most frequently, among the uninformed on monetary history and principles — among those who seem to suppose that all anyone need do to know the proper answers to questions of monetary standards and systems is to cogitate for, say, five minutes.

One may well wonder after reading Mr. Ruml's statements whether he has ever read anything of importance on the experiences of the United States with greenbacks during the period 1862-1879. There is nothing in his statements as to what he thinks gives paper money its value that would not apply to the greenbacks during the years indicated. He seems to be completely unaware of the lessons provided by our experiences of that period with the type of paper money he advocates, to say nothing of the almost endless number of similar lessons to which he could turn in our voluminous literature on this subject. Wesley Clair Mitchell's **History of the Greenbacks** should be sufficient to demonstrate to him, or to anyone else, the serious errors in the quoted portions of his observations.

"We all know," says Mr. Ruml, "that we can no longer turn our money into gold. We wonder, sometimes, what makes our money good." One may readily suppose that that is precisely so—he "wonders" rather than finds out. He apparently has made no study of the machinery of **indirect conversion** of our Federal Reserve notes into gold which removes them from the type of money into which he improperly places them.

### Our System Linked to Gold

Under our system of a restricted international gold bullion standard, our domestic currency became, after devaluation of our gold dollar on January 31, 1934, inextricably linked to gold by a system of **indirect,** rather than **direct,** conversion. Since that date, and under this system no domestic dollar, whether paper or silver, has parted company with gold. This was not the case from March, 1933, to January 30, 1934, or during 1862-1879; and in these experiences alone Mr. Ruml could, if he would take the time to find out, discover the principles determining the value of money which would reveal the error of his observations quoted above.

This author's pamphlet, **The Case for the Gold Standard** (Economists' National Committee on Monetary Policy, 1 Madison Ave., New York, 1940, 35 pp.), will provide Mr. Ruml with a brief though adequate explanation of how this system of indirect conversion operates to keep our domestic currency on a parity with gold. It also outlines some of the disadvantages to the people of the United States in being compelled to live under such a system — among other things, it points out that our gold is readily available to foreigners but not to our own people.

Some brief excerpts and some summarizations from that pamphlet (especially from pp. 10-11) on the nature of this indirect conversion of our domestic currency should be sufficient here to show how it works and why our domestic currency is maintained on a parity with gold without direct conversion.

When the President, under authority of the Gold Reserve Act of January 30, 1934, devalued the gold dollar by raising the gold-dollar price of an ounce of gold to $35, he announced to the world that we stood ready to buy and sell gold at that price. "From the citizen of the United States who mines gold the government will buy it all at the same price—$35 per fine ounce—and, for use in the professions, arts, and industry the government will sell gold at that price. . . . When gold is purchased from foreign exporters, deposits on the books of our banks are created at the rate of $35 per fine ounce. Other bank deposits and our paper and over-valued silver currency are interchangeable with these bank deposits. When gold is purchased from domestic miners they, too, are paid at the rate of $35 per fine ounce, and the resulting bank deposits are indistinguishable from other domestic bank deposits and from those arising from foreign sales of gold to us.

"In this manner, gold, bank deposits—foreign and domestic—and our domestic paper and silver money become interlaced with one another and have the same purchasing power domestically. Thus our domestic currency is prevented from depreciating in terms of gold because, in our dealings with foreigners, the government stands ready to export gold upon demand—in other words, gold works where our domestic currency cannot function so well —and because of a system of indirect convertibility which operates through the interrelations existing between gold, deposits, silver, and notes.

"Although the most certain guarantee against depreciation of a paper money or cheap silver in terms of gold is direct convertibility, it seems reasonably clear that the present system of indirect convertibility may maintain the value of our domestic currency in terms of gold for a long time.

"Our currency can depreciate in terms of gold only if the people can find some way to outbid our government in buying gold or if the government itself depreciates the dollar further.

"The prospects of our people outbidding our government in buying gold are small; people would have to go into foreign markets with dollars and pay more than $35 an ounce for gold. Only some great financial catastrophe—impending or actual—which would invite a flight of capital could give rise to this situation. It is, of course, possible, but there is nothing now to indicate that it is probable."

### Prof. Williams Refuted

The statements of Professor Williams are more puzzling, partly because he is supposed to be a careful student of money and partly because of the nature of the statements quoted. In one reply he states unqualifiedly that he does not think a gold base is necessary to provide us with a sound dollar. In another he says that he agrees with Mr. Eccles that a gold reserve is not necessary and is a concession to outworn prejudice. Both put him in the fiat paper money school of thought, and on that all that one need say is that Professor Williams is just as wrong as any other advocate of fiat money. How he can become such an advocate in the face of all the evidence which refutes him at every turn is a question which perhaps only he can answer.

His other observations seem to add nothing in the way of clarity. To say that "One can set up a standard which he calls the gold standard and not have any gold in at all" is to use mere words lacking in substance. To call a paper standard a gold standard is to confuse unlike things; this is not scientific procedure. But it is by such a confused "analysis" that Professor Williams is able to place himself among the other "modern" John Laws of "advanced thinking" in monetary matters.

### Has Anti-Gold Bug Bitten the F. R. B.?

These are not, by any means, the only men, high up in the Federal Reserve System, who have expressed anti - gold, pro - fiat paper money views. Some of the members of the Reserve Board's staff have placed themselves in this "school of thought." What seems to be another surprising instance in which some variety of this anti-gold bug appears to have bitten a Federal Reserve official is found in the case of Allan C. Sproul, President of the Federal Reserve Bank of New York. In his testimony before the Banking and Currency Committee of the

(Continued on page 750)

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# Mutual Funds

## Peace Is Fundamentally Bullish

The rapid progress of developments toward world peace during the past few weeks brings interesting and significant reports from three Mutual Fund sponsors citing bullish interpretations for business and securities.

**National Securities & Research Corp.**, in the current issue of Investment Timing, quotes the following from its July 19, 1945, issue:

"While sudden peace — surrender or negotiated—would probably mean apprehension over a possible degree of temporary chaos, it would be evident that peace would enable industry to effect actual reconversion much more quickly. Hence, fundamentally, peace with Japan should be construed as bullish for the long term."

Six supporting facts are then listed to add strength to this statement.

The article points out that it seems evident that for some weeks now stock prices have adopted the gradual process of discounting peace and the early reconversion period to follow.

The conclusion is reached that "regardless of how it comes about, recent events would indicate that the cessation of hostilities will occur before many months—thus the dawn of a new era of peace and prosperity in business and security prices is in the offing."

* * *

In a bulletin entitled "Minority Report—On Today's 'Two Billion Dollar' Investment Question," **Hugh W. Long & Co.** asks: "Will the atomic bomb engulf the country in prolonged recession because of insufficient planning for the end of the war?"

The article then points out that although the majority view on the duration of a business recession following the war appears to be powerfully influenced by current stories out of Washington on delays in the reconversion program, experience shows that successful investors have often been those who have held opinions on economic and financial questions which were widely at variance with mass psychology.

In the interest of performing a service to investors who are in danger of being guided by emotional thinking, this sponsor quotes a number of highlights from the August letter of the National City Bank of New York which makes a deliberate and calm appraisal of the reconversion problem.

* * *

**Lord, Abbett,** in a current Investment Bulletin on **American Business Shares,** brings to attention some new thoughts with regard to the "cosmic" bomb. The first being that this dramatic development is another refutation of the pessimistic opinion that the minds of men have gone as far as they can go and that progress has taken all of its possible forward strides.

The second is that sooner or later this availability of the energy of the atom may bring radical industrial changes.

"Such thinking admittedly reaches far into the future as far as the industrial use of atomic energy is concerned. Symbolic it is, however, of the constant changes taking place in industry, and suggestive it is of the wisdom of those who accumulate 'an anchor to windward' in the form of a carefully diversified and constantly supervised portfolio of investment securities."

### *Basis for Boom in the Heavy Industries*

Returns from a Department of Commerce survey are used in a current Investment News by **Distributors Group** to demonstrate the boom which is evident for the heavy industries. The survey, which covers nearly 7,000 manufacturing companies, indicated that expenditures for capital goods in the first year after V-E Day will amount to $4.5 billion.

A companion survey by the Department of Commerce reveals that manufacturing companies plan to spend an additional $2.8 billion for increasing inventories of non-military goods and $1.9 billion for increasing trade receivables or credits.

"Based on these figures," continues **Distributors Group,** "the evidence appears conclusive that the heavy industries—steel, railroad equipment, industrial machinery, etc., and the railroads—are clearly destined to be prime beneficiaries of the prosperity ahead."

### *Railroad Equipment Industry*

In a covering letter to dealers, presenting a new folder on the **Railroad Equipment Industry Series** of **New York Stocks, Hugh W. Long & Co.** reports that railroad equipment stocks appear attractive from several points of view. First of all, railroad equipment shares need a 47% advance to reach their 1937 highs, while the Dow-Jones Average is within 14% of its 1937 high. And, secondly, "a better way to measure value, is to compare present prices with peacetime prospects for the industry."

### *National Income and Stock Prices*

In the current issue of The Keystone Investor, **Keystone Corp.** presents a chart showing national income compared with the Dow-Jones Industrial Stock Average from 1928 to the present. The chart shows that in 1929 when national income was $86 billion the Stock Average reached a high of 381. At the top of the market in 1937 the Stock Average was 194 while the national income was $71 billion and at the high of the market in May of this year the Stock Average was 169 and the national income in 1944 was $160 billion.

The report states that the level of national income is significant marketwise because it determines the general level of business activity and corporate earnings. "It is also the source of new money seeking investment employment." The study then brings to attention the fact that the stock market has lagged behind the increase in national income during the past four years.

* * *

### Mutual Fund Literature

**Keystone Corp.** — Semi-Annual Reports dated June 30, 1945, on **Keystone Custodian Fund Series B-1** and **Series K-2**; charts showing performance of all 10 **Keystone Funds** from 1940 to date; current issues of Keynotes. . . . **Distributors Group** — Portfolio folders for July on **General Bond Shares, Low Priced Shares** and **Railroad Bond Shares;** July 31 Investment Report on **Group Securities, Inc.**; current Steel News. . . . **Lord, Abbett**—Latest issue of Abstracts. . . . **National Securities & Research Corp.**—Descriptive bulletins on **National Speculative Series** and **National Selected Groups Series. . . . Selected Investments Co.**—Current issues of "These Things Seemed Important." . . . **Hare's, Ltd.**—Semi-Annual Report dated June 30, 1945, on **Institutional Securities, Ltd.**; current folder on **Bank Group Shares.**

* * *

### Dividends

**Fundamental Investors, Inc.** — Quarterly dividend of $0.22 per share payable Sept. 15, 1945, to stock of record Sept. 3.

**Institutional Securities, Ltd.**— A semi-annual dividend of $0.0275 per share on **Bank Group Shares,** payable Sept. 30, 1945, to stockholders of record Aug. 31.

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# Some Federal Reserve Officials On Gold and Fiat Money

(Continued from page 749)

United States Senate, June 21, he said (**Hearings,** Part 4, p. 314): "Under the gold standard we committed ourselves to give away or to sell our goods and services **in return for gold for which we did not have any particular use, in unlimited amounts."** (Bold face supplied by this author.) The bold face portion is a currently popular cliche, sometimes used, unfortunately, by people who should understand its fallaciousness.

Briefly, if we export goods or services, can anyone name any type of monetary payment that is better than gold? Is there any money known to man that has a more universal purchasing power? Or any money that is less likely to lose its value? And since we took this gold, can we not use it when and where we please to buy goods and services? Just because we did not happen to buy with it immediately upon its receipt, does that justify the statement that it "did not have any particular use" for us? The answers would seem to be obvious. But in addition to what it will always buy, there is the further fact that it is extremely important that we have as much gold as we can keep against our very greatly expanded paper money, bank deposits, and commitments to make heavy payments to other countries which may be expected to know the difference between paper and gold and to demand the gold when they want it.

Why such reasoning as that revealed in the quotations above is to be found among these men in such high places is somewhat mystifying. One rather expects to find monetary demagoguery in Congress during a severe business recession and depression, and it is not surprising to find many people uninformed on monetary matters, who have lost their perspective during a period when suspension of specie payments is widespread throughout the world. But one should not be able to find such shortsightedness and lack of understanding of the issues surrounding gold and fiat paper money among men holding key positions in our Federal Reserve System.

### An Explanation

This situation would appear to mean that if Congress should embark upon some fiat-paper-money, indirect-debt-repudiation scheme, the people of the United States could count on little or no help from these and certain other Federal Reserve officials.

Henry Hazlitt, in his Monday financial article, **The New York Times** of July 30, may have pointed to the explanation of this unfortunate situation when he said: "When political movements have acquired a certain momentum, they grow and wane less because of the merits of the argument than by contagion and example. There is always a large group that is eager to align itself with the supposed 'wave of the future.'" Could it be that these Reserve officials think that they are riding the "wave of the future"?

Regardless of what the correct explanation of it may be, this phenomenon at least seems to be another manifestation of man's frequent unwillingness to learn from, and to profit by, past experiences. It also seems to reflect the oft-expressed hope or belief that we can still make something out of nothing—that we can find a way to make a piece of paper as valuable as gold without making it convertible, directly or indirectly, into gold.

## Steel Payrolls Increase Sharply Despite Fewer Number of Employers

Steel company payrolls during the first six months of 1945 increased sharply over the corresponding period of 1944, according to the American Iron and Steel Institute. At the same time employment during the first half of 1945, averaging 565,700 persons per month, declined from the 576,000 persons per month averaged during the first half of 1944. The Institute's statement further adds:

"The six-month total payroll of 1945 was $888,731,000, contrasted with $849,465,000 paid by the industry to its employees in the first six months of 1944. The figures are not strictly comparable, however, due to the extent that provisions for retroactive wage increases authorized by the War Labor Board are reflected in the montly totals for 1945.

"In June, wage-earning employees of steel companies earned an average of 127.2 cents per hour, which was very close to the record of 127.3 cents per hour earned last March. Nevertheless, the industry's payrolls declined in June to $144,082,600 from $154,035,100 in May. Payrolls in June 1944 totaled $140,484,400.

"During June an average of 561,800 employees was at work in the industry, compared with 564,600 in May and 569,800 in June 1944.

"Wage earners worked an average of 45.5 hours per week in June, compared with 47.3 hours per week in May and 47.7 hours per week in June 1944.

"The average hourly earning figure of 127.2 cents compares with 126.4 cents per hour in May and 117.7 cents per hour in June 1944".

## With Wasson & Co.

(Special to THE FINANCIAL CHRONICLE)

CLEVELAND, OHIO — **Charles E. Pryor** has become connected with **Wasson & Co., of Ohio, Inc.** Mr. Pryor has recently been with the O.P.A. In the past he was with Ten Winkle Stieglitz and was local manager for Douglas & Co.

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# OUR REPORTER'S REPORT

Things often happen for the best and that certainly proved the case in the instance of the current lull in the new issue market this week. Like most everyone else in business the investment banker would rather be busy and enjoy the opportunity to take in a few dollars.

But under circumstances prevailing this week inquiry very likely would find that the current hiatus was most welcome among the underwriting fraternity.

**Short-handed to begin with, due to delayed vacations resulting from the July rush of well over a billion in new issues, bond men would hardly have relished bringing out any sizeable amount of corporate offerings with the war situation up in the air as it had been since last week-end.**

The Nips have certainly complicated matters in the course of finally accepting the Allies' unconditional surrender terms. They have sought to move mountains to "save face", but in the net result they haven't saved very much.

However in the course of their stalling the financial markets have been given more or less to marking time. No acute weakness has been apparent. On the contrary the surprise has been the absence of any appreciable liquidation.

**But traders naturally have hesitated in the matter of making new commitments, and it is a safe assumption that investors, institutional, as well as individual, would have been treading slowly had any substantial issues of new securities been brought to market.**

Given an opportunity to appraise the changed situation, the investment market doubtless will be in good shape for the resumption of new offerings which is expected to assume sizeable proportions after the Labor Day holiday.

### Amer. Telephone Plans

Having successfully concluded the marketing of an issue of $175,000,000 of 2¾% debentures only a fortnight ago, American Telephone & Telegraph Co. is now reported preparing to register with the Securities and Exchange Commission for another big piece of refinancing.

**This time the company is said to plan a flotation of a new issue of sufficient size to retire $160,000,000 of outstanding 3¼% debentures, due to mature in 1966.**

Although no definite date has been set, it is believed that the company figures on the latter part of September. The same two banking groups which competed for the earlier offering are expected to seek the new debentures. The company was a trifle disappointed at having to take less than par for the 2¾s at that time. It will be interesting to see what happens on this occasion.

### Minnesota Power & Light

Public utility firms are pushing refunding plans in a manner which indicates that they will probably outdistance the railroads as a source of new emissions in the next few months.

**Among the companies which have registered with SEC for sizeable refinancing programs is Minnesota Power & Light, which plans $26,000,000 new first mortgage bonds and $6,000,000 of ten-year serial notes to retire $32,289,000 of outstanding bonds.**

This operation is planned as part of an overall program aimed at improving and simplifying its capital structure and removing a lien of certain indebtedness on property purchased from Great Northern Power Co.

### Consumers Power Co.

A refinancing which promises to run second only to those being undertaken by American Telephone & Telegraph was placed in the mill by the Consumers Power Co. earlier this week when it registered with the SEC a plan for replacing its outstanding bonds and preferred stock.

**The company proposes to sell in competitive bidding $113,825,000 of new first mortgage bonds, due 1975, and $15,000,000 of instalment notes. The proceeds of these issues plus $12,000,000 of other funds would be applied to retirement of its outstanding senior securities.**

The latter includes $113,825,000 of bonds, and 191,924 shares of $5 preferred stock. Hearing by the Commission was due to be held today.

## To Examine England's Plans for Rebuilding

J. M. O. Monasterio, Vice-President of Mercantile - Commerce Bank and Trust Co., St. Louis, has been appointed by Mayor Aloys P. Kaufman of St. Louis to examine first-hand England's plans for rebuilding bomb-devastated and slum areas, as a means of gathering more information for St. Louis' slum clearance program. Mr. Monasterio departed Aug. 2 for England with W. L. Hemingway, President of the Bank, who will be a delegate to a meeting of the International Chamber of Commerce Council of London. They will be gone six weeks. As a representative of Mayor Kaufman, who recently named an Anti-Slum Commission, Mr. Monasterio will investigate what London and other cities are doing and plan to do about housing. With much of London wiped out by bombings, much planning and some construction already have been done, and it is believed St. Louis could gather valuable information for its own program.

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# Canadian Securities

By BRUCE WILLIAMS

**Canada enters the new industrial age as far advanced as any country in the world. Unencumbered by a burden of obsolescent plants and the methods of a past era, the Dominion alertly views new and wider economic horizons. Lack of population is no longer a handicap: Science and the machinery of the future will increasingly replace human labor. Frigidity of climate now presents no obstacle: modern technology is rapidly uncovering the fabulous riches of Canada's eighth wonder of the world—the 2,000,000 mile area of the Laurentian Shield.**

Aided by almost unlimited cheap hydro-electric power, Canada is in the forefront in the production of light metals. Her unrivalled wealth of forests provide a huge reservoir of material for plastics and rayon. Nylon and synthetic rubber can readily be produced from vast undeveloped coal and oil fields. Iron and the base metals will not be readily replaced and Canada's barely tapped resources in this category will be increasingly drawn upon with the depletion of older sources of supply.

Supplementing this almost inexhaustible store of raw materials, Canadian technology and research is also on the highest plane. In the field of radar and electronics it will soon be possible to reveal the Dominion's prominent wartime role. The aviation industry is now firmly established and the recent announcement that Britain's most powerful group of aircraft manufacturers has formed a Canadian subsidiary will give a tremendous fillip to this industry in Canada. In this connection, the Dominion's geographical situation and its enviable position as prolific producer of alloy metals essential to the manufacture of special steels for jet-propulsion motors, will make Canada a formidable challenger in the realm of aeronautics.

Other metals recently added to Canada's formidable list which have acquired added importance in modern industry, are mercury —now used in high-efficiency storage batteries, and tantalum with its widening range of modern utility.

**Last but by no means least, the Dominion's vast pitchblende deposits in the North West territories, have since the war made Canada the world's leading supplier of radium and the metal that has just rocketed into world-wide publicity—the wonder element uranium. Contributing vitally to the production of the atomic bomb, Canada, together with this country and Britain, stands first on the threshold of a new economic era which will transcend to an unimagined degree, the ages of iron, steam and electricity.**

This week has also seen what promises to be a revolutionary departure in the Canadian form of government. As a result of the current Dominion-Provincial conferences it is likely that Canada will soon implement, as long strongly advocated by Premier Stuart Garson of Manitoba, the recommendations of the Rowell-Sirois Royal Commission, as a result of which the financial position of the weaker provinces will be fundamentally strengthened.

Furthermore it is proposed that the functions of the Dominion and Provincial governments be closely co-ordinated without, however, trespassing on the provincial autonomies. Thus Canada takes a logical and constructive step forward in a manner fitting a leading democracy.

Turning to the market for the past week, another dull period was experienced as expected. Nationals were off about a ¼ point, but Albertas and Internals were fairly actively in demand. Montreals were steady and unchanged. The rescinding of the prohibition on the export of Albertas from Canada raised the price internally about 10 points but the resultant flow of two-pay bonds to this country was comfortably absorbed.

The recent weakening of free funds brought about, as anticipated, an investment demand for internal high-grades, and the exchange rate consequently strengthened to 9 3/16% discount. International Uranium Mining stock was a spectacular feature, rising from 90 cents to a high of $3.55 before reacting to $1.95.

With regard to future prospects, high-grade externals appear to have levelled out at about 1½ points below their recent highs and now appear to be of good investment quality. Internals are again around their highest levels but their inherent attractiveness in contrast with comparable domestic issues should lead to continued demand, especially as speculative holders are now encouraged to maintain their positions.

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## Refund of Income Tax From Excess Withholding

Secretary of the Treasury Vinson announced on Aug. 2 that the refund of income taxes in connection with excess withholding made during 1944 is being stepped up with a view to completing the work between the 1st and 15th of September. This is a month earlier than the original goal of October 15. The announcement says:

Of an estimated 22 million individual refunds to be made, 10,968,000 refund checks were issued up to July 27, amounting to $481,980,000. Refund checks are now being issued at the rate of 1,600,000 a week. This is being accomplished by working day and night shifts and overtime, and utilizing equipment to maximum capacity.

Refund checks range from a few cents to several thousand dollars, the average being about $45. In order to facilitate payment, refunds are based on tax returns as filed by taxpayers and are subject to later audit by the Bureau of Internal Revenue.

## David O. Hirt With Mitchell Trading Dept.

Mitchell & Company, 120 Broadway, New York City, announce that David O. Hirt has become associated with them in the trading department. Mr. Hirt was formerly with the New York office of the Continental Illinois.

## Haydock Schreiber Admit

Haydock Schreiber & Co., 120 Broadway, New York City, members of the New York Stock Exchange, will admit Henry B. Bjorkman to general partnership and R. D. Whitehill to limited partnership in the firm as of Sept. 1st.

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## Unessential Travel by Foreigners to U. S. Discouraged

Discouragement of unessential travel by foreigners to the United States was ordered by the Government on Aug 8 through the State Department, said Washington advices on that date to the New York "Times," from which we quote:

"The Department of State has always traditionally done everything in its power to promote the travel of citizens of other countries of the Western Hemisphere to the United States," said the announcement. "However, the United States Government is now engaged in a gigantic military operation in deploying forces and supplies from the European treatre to the Pacific area. This tremendous task places an unprecedented burden on the transportation system."

The citizens of other countries should realize the situation, the statement said, and postpone trips to the United States unless they were directly connected with the war.

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## Clayton Quaw Is With Bruns, Nordeman & Co.

Bruns, Nordeman & Co., 323 Broadway, New York City, members New York Stock Exchange, announce that Clayton D. Quaw has become associated with them in their stock and cotton department. Mr. Quaw was formerly with Auerbach, Pollak & Richardson and in the past was a partner in Quaw & Foley.

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## "Our Reporter on Governments"

By JOHN T. CHIPPENDALE, JR.

The last seven days, one of the most momentous and uncertain periods since the war started, saw the Government bond market take it all pretty much in stride. . . . Price changes were minor, aside from the marking-down of the intermediate maturities of the partially exempts to bring the yield, after taxes, of these bonds in line with those of comparable maturities of the taxables. . . . The anticipated early change in excess profits taxes is responsible for this. . . .

From now on, the Government bond market will be concentrating on post-war conditions, which no doubt will be perplexing at times, due to the psychological factors involved. . . . Nevertheless, they will be largely temporary since no change in fundamentals is indicated. . . .

**With low money rates the dominating market factor, the advice still holds that advantage should be taken of price recessions to build up positions in issues that fit into one's portfolio. . . .**

At times like this, when we are so engrossed with day-to-day developments, there is a tendency to lose sight of fundamentals! Accordingly, money market experts believe now is an opportune time to consider certain basic factors, such as the following, since they will have an important bearing on the post-war markets. . . .

### (1) MONEY RATES

Although some concern is expressed over the policies of the new Secretary of the Treasury, there is one thing on which there appears to be no doubt, and that is the trend of money rates, which will continue low. . . . The huge public debt, the large debt service and the fact that a considerable part of the Federal debt consists of short-term, and demand obligations will have an important bearing on interest rates. . . . So long as the Treasury will be borrowing new funds and will be refunding maturing obligations, which will be for a long time yet, it will maintain current low money rates. . .

**Furthermore, the fact that a large portion of the public debt is held by financial institutions makes it politically inadvisable to raise interest rates and thus further increase the interest burden of the country. . . . The adverse effect which rising interest rates would have on prices of long-term Government bonds held in substantial amounts by small and medium-sized banks, is another reason why the monetary authorities will not permit any material upward revision in interest rates. . . .**

### (2) TAXATION

With the public debt as huge as it is today, it would be exceedingly dangerous for the United States to continue to operate with a large deficit in the post-war period. . . . One of the first tasks of the Government will be to balance the budget and to devise ways and means of gradually reducing the debt. . . . This is imperative because it is impossible to say when another emergency may arise, and a constant increase in the public debt not only leads to increasingly higher taxes, but also has an adverse effect on the purchasing power of the currency. . . . To be sure, taxes will be reduced from the war level. This will probably mean the elimination of the excess profits taxes as soon as feasible to help stimulate business activity. . . .

**On the other hand, if the budget is to be balanced, and a moderate reduction is to be made in the public debt, taxes are bound to be high and indications are that the 40% rate will be with us for a considerable period. . . .**

### (3) BANK DEPOSITS

With business concerns engaged in the task of reconversion, a considerable portion of the short-term Government obligations held by them will be redeemed. . . . Since it is unlikely that the Treasury will be able to pay off these obligations out of current revenues, the commercial banks will be called upon to absorb securities previously held by these concerns. . . . The same method will be used to redeem some of the War Savings Bonds. . . . The return of currency from circulation as well as the inflow of gold, will further contribute to the rise in deposits. . . .

**While the total volume of deposits will rise, there is bound to be a considerable shift in deposits from one section of the country to another. . . .**

Localities that have benefited materially from the war effort and where the banks witnessed a much greater increase in the volume of deposits than the country as a whole, will probably lose deposits. . . . Rural areas are expected to lose deposits as the large farm savings built up during the war period are spent for durable consumers goods and materials for home repairs. . . . On the other hand, consumers goods localities as well as the financial centers will no doubt witness an inflow of deposits. . . . Thus, the end of the war will be marked by a criss-cross movement of deposits. . . . Since the total volume of bank deposits will continue to increase, however, it is not likely that individual banks will witness as sharp a decline as is generally expected. . . .

### (4) CURRENCY IN CIRCULATION, GOLD AND RESERVES

The return flow of currency from circulation and the inflow of gold that will eventually take place will create excess reserves. . . . The need for open market operations by "Federal" to create excess reserves will be greatly decreased and may even be reversed. . . . The excess reserves resulting from the return flow of currency and gold will be invested by the banks in bills and certificates. . . . The time would then be right for the Treasury to finance the deficit through the offering of certificates. . . . The large excess reserve balances created through a return flow of currency from circulation and the increase in the monetary gold stock, will create a favorable market for short-term Government obligations. . . .

**Under such circumstances, a material increase in the floating debt and the creation of an artificial shortage of medium-term obligations would no doubt be welcomed by many large banks, particularly those witnessing a rapid increase in deposits as well as those losing deposits.**

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# Impact of the National Debt Upon Banks and the Capital Market

(Continued from first page)

stock-ownership certificates, represented over 92% of the debt instruments in the hands of the public. During World War I the expansion of the national debt greatly increased the role of public securities in the investment market. By December, 1919 the Federal debt was $25,600,000,000 and accounted for 22% of the outstanding debt instruments. The relative importance of private debt obligations in 1919 was less than in 1916, in spite of an increase of 26% in their aggregate amount. During the decade of the 1920's as the Federal debt was redeemed, state-local issues increased both in amount and relative importance but public debts as a whole were not as important as private securities. This was an era of business expansion marked by rising profits and the growth of private securities. The depression of 1929 and succeeding years decreased both the value and relative importance of private debt instruments and brought out clearly the relative superiority to the investor of the more nearly riskless obligations of our political units.

The recovery-relief programs of the 1930 decade, financed primarily by public borrowings, again increased the magnitude and relative importance of public debt instruments in the security market. The decline in private business, which adversely affected interest payments and the security behind private debts, also increased the appraisal of public securities on the part of investors.

### Government Issues Now Dominate Investment Market

With the advent of World War II public securities came to dominate the investment market. By 1942 approximately 50% of the debt instruments in the hands of the public were Government issues. By 1943 about 54% of the obligations were Federal securities and almost 60% of the debt instruments owned were public issues. Gradually, therefore, public security issues have come to dominate the market for debt instruments. The details respecting these trends are shown in Table VI.

Some of this recent dominance is due to the fact that, during World War II, the Federal Government took over the financing and construction, as well as the operation of many war plants. In former years capital had been supplied for these undertakings through private investments and bank loans. During the present war they were covered by extensions of the public credit, a fact which helped somewhat (though not noticeably) to cut down the cost of war. Another force operating to increase the relative importance of the public and Federal debt has been the fact that since 1929 or 1930 other types of debt have tended to decline. The collapse of the real estate market in the late 1920's and the ensuing agricultural depression tended to bring about a decline in the outstanding amount of farm and real estate mortgages.[1] During the war, as a means of easing pressure on the markets for goods, individuals were urged to pay their debts, while the creditors, in turn, were solicited for subscriptions to war bonds. The improved income status of the farmer also led to the reduction of farm mortgages. From 1940 to 1944 farm mortgages declined almost $1,000,000,000.[2] Urban real estate mortgages declined during the 1930 depression due to foreclosures and price changes and the declines would have been more severe except for the refinancing of home mortgages over the country by the Home Owner's Loan Corporation.[3] Recently improvements in urban incomes and the demands for housing by war plant workers have tended to increase the volume of urban mortgages for the purchase of dwellings. The greater incomes of railways have likewise enabled these companies to reduce their long-term debts. Finally, the decreases in instalment debts, in open accounts and short-term private obligations, reflect both shortages in durable goods and controls over consumer credits adopted in the interest of easing inflationary pressures. Meanwhile, public debts have continued to increase both in magnitude and relative importance.

The decrease in private debts augurs both for good and ill for the future. Individuals, having paid off or having substantially reduced their debts, will be in a position to contract new obligations when desired goods again are available on the market, or when materials are obtainable for the construction of new homes, or when they desire to acquire other real estate. New debts added to present savings may help maintain the level of post-war employment. Likewise, new debts may add fuel to post-war inflationary tendencies, depending upon conditions prevalent at the time. The personal advantage of being out of debt can not be questioned. The fact that potentialities exist for inflation must be balanced against the advantage of a backlog to help provide future employment **via** an increased demand for goods. In any case, during the post-war period we must protect the nation from losses due to speculation and inflation. Both will tend to retard and shorten the duration of the real gains from the return to a civilian peacetime economy.

### Low Rates on Government Borrowings

The Government, as the dominant borrower in the market, has tended to secure for itself many of the gains of a preferred customer. It has naturally wanted to borrow at the lowest possible rates, but the easy-money policy sponsored at the outset of the depression was more to stimulate the revival of private business and increased expenditures for capital outlays than to lower rates on Government loans. The benefits of reduced interest extended to many borrowers, but every debtor was not benefited. Many rates, such as those on consumer credit and other customer loans at banks, did not immediately decline. Nor were interest rates on many of the longer-term loans voluntarily reduced prior to maturity, even though market rates had declined significantly. It was soon realized that interest rates were among the sticky prices which resisted depression declines. Moreover, the business revival traceable to interest reduction **per se** disappointed most of the advocates of that trade-revival theory. Declining interest rates were, however, a boon to United States taxpayers. In 1920, the interest-bearing debt was about $24,000,000,000 while interest cost $1,020,000,000; in 1940, the interest on the public debt required an expenditure of $1,040,000,000 per annum but the principal sum of the interest-bearing debt was $42,376,000,000.[4] The average computed rate of interest declined from 4.225% in 1920 to 2.583% in 1940.[5] At the end of March, 1945, the computed annual rate of interest on United States securities, direct and guaranteed, stood at 1.925%.[6] During the same period other long-term interest rates have tended to decline.[7] No small

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All footnotes at end of article.

TABLE VI

***Outstanding Net Public and Private Debt, Year End, 1916-43**

Amounts in billions of dollars

| | | Public | | | †Private | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Long-Term | | | | |
| Year | Public and Private, Total | Total | Federal Govern-ment and Federal Agency | ‡State and Local Govern-ment | Total | Total | Corporate | Farm Mort-gage | §Urban Real Estate Mort-gage | Short-Term |
| 1916 | $74.7 | $5.8 | $1.2 | $4.6 | $68.9 | $43.4 | $29.1 | $5.8 | $8.5 | $25.5 |
| 1917 | 86.1 | 12.2 | 7.3 | 4.9 | 73.9 | 45.5 | 29.6 | 6.5 | 9.4 | 28.4 |
| 1918 | 104.3 | 26.1 | 20.9 | 5.2 | 78.2 | 47.0 | 30.2 | 7.1 | 9.7 | 31.2 |
| 1919 | 117.5 | 31.0 | 25.6 | 5.4 | 86.5 | 49.7 | 31.0 | 8.4 | 10.3 | 36.8 |
| 1920 | 124.3 | 29.9 | 23.8 | 6.1 | 94.4 | 54.8 | 32.6 | 10.2 | 12.0 | 39.6 |
| 1921 | 124.8 | 29.8 | 23.0 | 6.8 | 95.0 | 57.5 | 33.8 | 10.7 | 13.0 | 37.5 |
| 1922 | 128.5 | 30.6 | 22.7 | 8.0 | 97.9 | 59.4 | 34.3 | 10.8 | 14.3 | 38.5 |
| 1923 | 134.3 | 30.2 | 21.7 | 8.5 | 104.1 | 63.4 | 36.2 | 10.7 | 16.5 | 40.7 |
| 1924 | 140.1 | 30.1 | 20.8 | 9.4 | 110.0 | 67.1 | 38.4 | 9.9 | 18.8 | 42.9 |
| 1925 | 148.4 | 30.4 | 20.0 | 10.4 | 118.0 | 70.8 | 39.6 | 9.7 | 21.5 | 47.2 |
| 1926 | 154.2 | 29.9 | 18.8 | 11.1 | 124.3 | 75.6 | 41.7 | 9.7 | 24.2 | 48.7 |
| 1927 | 161.7 | 29.7 | 17.7 | 12.0 | 132.0 | 81.2 | 44.3 | 9.8 | 27.1 | 50.8 |
| 1928 | 169.5 | 29.7 | 16.9 | 12.8 | 139.8 | 85.8 | 46.0 | 9.8 | 30.0 | 54.0 |
| 1929 | 173.4 | 29.4 | 15.7 | 13.7 | 144.0 | 88.5 | 47.3 | 9.6 | 31.6 | 55.5 |
| 1930 | 174.0 | 30.1 | 15.4 | 14.7 | 143.9 | 93.1 | 51.0 | 9.4 | 32.6 | 50.8 |
| 1931 | 166.7 | 33.0 | 17.1 | 15.9 | 133.7 | 91.2 | 50.2 | 9.1 | 31.9 | 42.5 |
| 1932 | 157.4 | 35.5 | 18.7 | 16.8 | 121.9 | 87.4 | 48.9 | 8.5 | 30.0 | 34.5 |
| 1933 | 151.3 | 37.8 | 21.0 | 16.8 | 113.4 | 82.5 | 47.5 | 7.7 | 27.4 | 30.9 |
| 1934 | 151.0 | 39.0 | 23.1 | 15.9 | 112.0 | 79.0 | 44.7 | 7.6 | 26.7 | 33.0 |
| 1935 | 152.5 | 41.9 | 26.0 | 15.9 | 110.6 | 76.8 | 43.5 | 7.4 | 25.9 | 33.8 |
| 1936 | 156.0 | 45.5 | 29.5 | 16.0 | 110.5 | 74.6 | 41.9 | 7.2 | 25.5 | 36.0 |
| 1937 | 159.5 | 47.1 | 31.3 | 15.8 | 112.4 | 75.9 | 43.5 | 7.0 | 25.4 | 36.4 |
| 1938 | 158.0 | 48.3 | 32.6 | 15.7 | 109.7 | 77.2 | 44.8 | 6.8 | 25.6 | 32.5 |
| 1939 | 161.4 | 50.8 | 34.8 | 16.0 | 110.7 | 76.8 | 44.2 | 6.6 | 26.1 | 33.8 |
| 1940 | 166.5 | 52.9 | 36.7 | 16.2 | 113.5 | 77.3 | 44.0 | 6.5 | 26.8 | 36.2 |
| 1941 | 183.5 | 64.0 | 47.6 | 16.3 | 119.5 | 78.0 | 43.7 | 6.5 | 27.8 | 41.5 |
| 1942 | 223.3 | 109.2 | 93.4 | 15.8 | 114.1 | 77.7 | 43.3 | 6.1 | 28.3 | 36.4 |
| 1943 | 273.5 | 161.8 | 147.0 | 14.8 | 111.7 | 75.9 | 42.6 | 5.6 | 27.6 | 35.8 |

*Components will not necessarily add to totals because of rounding. †The short-term and mortgage debts of noncorporate borrowers represent total and not net debt. ‡Figures are for June 30 of each year. §Data are for noncorporate borrowers only.

**Source:** Slater, **loc. cit.**, p. 16.

TABLE VI (Continued)

***Outstanding Net Public and Private Debt, Year End 1916-43**

| | | Public | | | †Private | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Long-Term | | | | |
| Year | Public and Private, Total | Total | Federal Govern-ment and Federal Agency | ‡State and Local Govern-ment | Total | Total | Corporate | Farm Mort-gage | §Urban Real Estate Mort-gage | Short-Term |
| | | | | Percentages of Total Net Debt | | | | | | |
| 1916 | 100.0% | 7.8% | 1.6% | 6.2% | 92.2% | 58.1% | 39.0% | 7.8% | 11.3% | 34.1% |
| 1917 | 100.0 | 14.2 | 8.5 | 5.7 | 85.8 | 52.9 | 34.4 | 7.6 | 10.9 | 33.1 |
| 1918 | 100.0 | 25.1 | 20.1 | 5.0 | 74.9 | 45.1 | 28.9 | 6.9 | 9.3 | 29.9 |
| 1919 | 100.0 | 26.4 | 21.8 | 4.6 | 73.6 | 42.3 | 26.4 | 7.2 | 8.8 | 31.4 |
| 1920 | 100.0 | 24.1 | 19.2 | 4.9 | 75.9 | 44.1 | 26.2 | 8.2 | 9.6 | 31.9 |
| 1921 | 100.0 | 23.9 | 18.4 | 5.5 | 76.1 | 46.1 | 27.1 | 8.6 | 10.4 | 30.0 |
| 1922 | 100.0 | 23.8 | 17.7 | 6.2 | 76.2 | 46.2 | 26.7 | 8.4 | 11.1 | 30.0 |
| 1923 | 100.0 | 22.5 | 16.2 | 6.3 | 77.5 | 47.2 | 27.0 | 7.9 | 12.3 | 30.3 |
| 1924 | 100.0 | 21.5 | 14.8 | 6.7 | 78.5 | 47.9 | 27.4 | 7.1 | 13.4 | 30.6 |
| 1925 | 100.0 | 20.5 | 13.5 | 7.0 | 79.5 | 47.7 | 26.7 | 6.5 | 14.5 | 31.8 |
| 1926 | 100.0 | 19.4 | 12.2 | 7.2 | 80.6 | 49.0 | 27.0 | 6.3 | 15.7 | 31.6 |
| 1927 | 100.0 | 18.4 | 10.9 | 7.4 | 81.6 | 50.2 | 27.4 | 6.1 | 16.7 | 31.4 |
| 1928 | 100.0 | 17.5 | 10.0 | 7.5 | 82.5 | 50.7 | 27.1 | 5.8 | 17.7 | 31.8 |
| 1929 | 100.0 | 17.0 | 9.1 | 7.9 | 83.0 | 51.0 | 27.3 | 5.5 | 18.2 | 32.0 |
| 1930 | 100.0 | 17.3 | 8.8 | 8.5 | 82.7 | 53.5 | 29.3 | 5.4 | 18.8 | 29.2 |
| 1931 | 100.0 | 19.8 | 10.3 | 9.5 | 80.2 | 54.7 | 30.1 | 5.5 | 19.1 | 25.5 |
| 1932 | 100.0 | 22.6 | 11.9 | 10.7 | 77.4 | 55.5 | 31.1 | 5.4 | 19.0 | 21.9 |
| 1933 | 100.0 | 25.0 | 13.9 | 11.1 | 75.0 | 54.6 | 31.4 | 5.1 | 18.1 | 20.4 |
| 1934 | 100.0 | 25.8 | 15.3 | 10.5 | 74.2 | 52.3 | 29.6 | 5.0 | 17.7 | 21.9 |
| 1935 | 100.0 | 27.5 | 17.0 | 10.4 | 72.5 | 50.4 | 28.5 | 4.9 | 17.0 | 22.2 |
| 1936 | 100.0 | 29.2 | 18.9 | 10.3 | 70.8 | 47.8 | 26.9 | 4.6 | 16.3 | 23.0 |
| 1937 | 100.0 | 29.5 | 19.6 | 9.9 | 70.5 | 47.6 | 27.3 | 4.4 | 15.9 | 22.8 |
| 1938 | 100.0 | 30.6 | 20.6 | 9.9 | 69.4 | 48.8 | 28.3 | 4.3 | 16.2 | 20.6 |
| 1939 | 100.0 | 31.5 | 21.6 | 9.9 | 68.5 | 47.6 | 27.4 | 4.1 | 16.2 | 20.9 |
| 1940 | 100.0 | 31.8 | 22.1 | 9.7 | 68.2 | 46.5 | 26.4 | 3.9 | 16.1 | 21.7 |
| 1941 | 100.0 | 34.9 | 26.0 | 8.9 | 65.1 | 42.5 | 23.8 | 3.5 | 15.1 | 22.6 |
| 1942 | 100.0 | 49.1 | 42.0 | 7.1 | 50.9 | 34.6 | 19.1 | 2.7 | 12.7 | 16.4 |
| 1943 | 100.0 | 59.2 | 53.8 | 5.4 | 40.8 | 27.6 | 15.5 | 2.1 | 10.1 | 13.1 |

*Components will not necessarily add to totals because of rounding. †The short-term and mortgage debts of noncorporate borrowers represent total and not net debt. ‡Figures are for June 30 of each year. §Data are for noncorporate borrowers only.

**Source:** Slater, **loc. cit.**, p. 16.

part of the interest savings for carrying the public debt have come, however, from the increased use of short-term paper.

Wartime controls of materials essential to the production of munitions and other war goods have also tended to limit the need for private capital. Allocations, priorities, consumer-credit controls, higher taxes, payroll deductions for bond purchases, and other measures have tended to limit the demand for, as well as the availability of, civilian goods. Although private capital was not rationed, the need for it was limited, and as war-production requirements were extensively supplied by Government, the demand as well as the supply of private-debt financing was effectively reduced. These policies, as well as the growth in the public debt, have made the investment-security market predominantly a market for "governments." So long, too, as the nation is interested in minimizing the cost of carrying its debt, pressures to keep interest rates low can be expected. Likewise, the substantial increases in savings during recent years will contribute to this end.

### Debt Increases and the Supply of Capital

Suppose the Federal debt continues to grow during the post-war years—how will that affect the supply of capital available to other borrowers?

The growth in the national debt has been accompanied by the concentration of security ownership in financial institutions, primarily banks and insurance companies. This trend has already been described.[8] With the banks and insurance companies holding over 61% of the outstanding Government securities, will these institutions be able to supply the needs of future borrowers? In times past, especially during depressions, banks were criticized for their perversity. When society needed a greater volume of credit. banks tended to restrict loans and to increase liquidity. During the late depression the volume of bank loans decreased between 1930 and 1936; meanwhile bank investments in United States securities rose to approximately the same level as loans had been, as is shown in Chart I. This was the period of reflationary spending and of loans and advances by government to business. Thus the banks financed the Government, while the Government made loans to business.

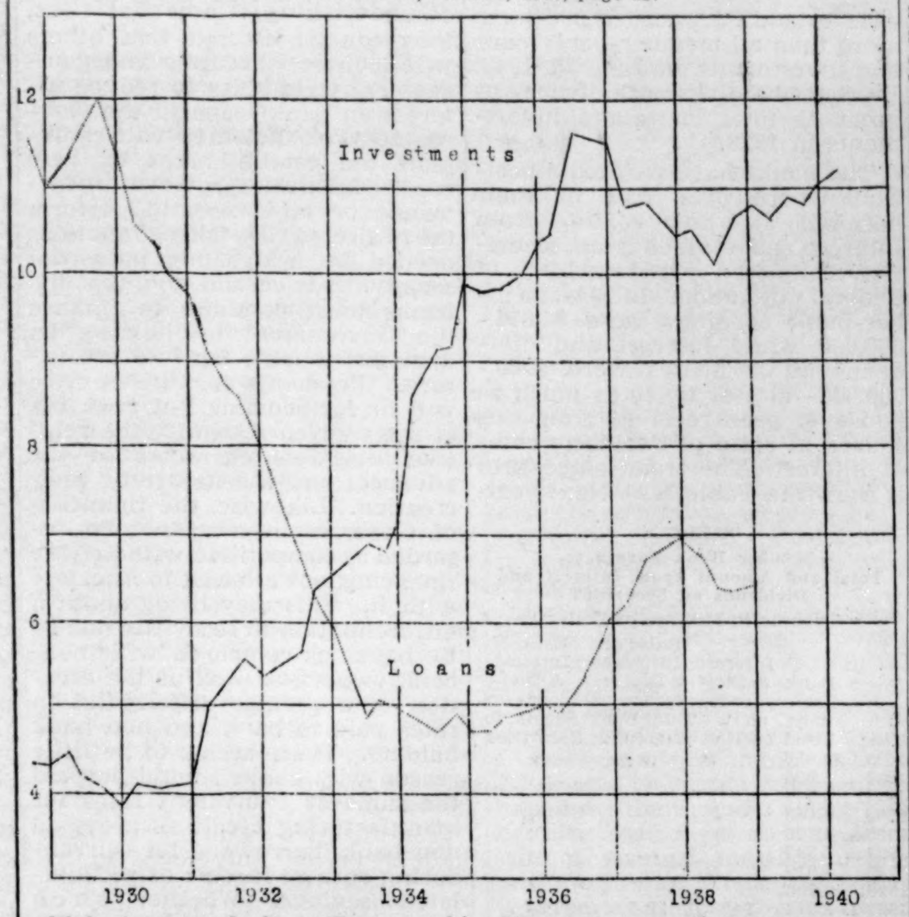
If, as a result of the war and carry-overs from the preceding depression, banks are filled with government securities, many people wonder whether banks can be expected to discharge their risk-taking functions in the post-war years, or whether this important task must be assumed by government agencies. It should be remembered that some of these agencies were created, not because private credit was not available, but because the interest rates charged were too high or had not come down sufficiently during the depression. The tradition of a 6% interest rate in the face of lower rates in the market helped to bring on "Government competition," with generally salutary results so far as debtors were concerned. If credit is freely available on reasonable terms, Government-sponsored loans may not be needed in the post-war period, but if Government agencies are not equipped to make loans there are many who fear that interest charges may not continue to be low. The threat of Government competition they regard as insurance for the continuance of easy-money rates. Others are not concerned about the level of interest rates so long as the rates are competitively determined in the market. What they regard as essential is that capital should be available at market rates to those economically able to employ it. The bankers, on their part, have proposed to see that credit is abundant by the creation of credit pools along with educational efforts directed at their own profession. The Board of Governors of the Federal Reserve System has proposed an arrangement for guaranteed loans which is now before Congress.[9] The Smaller War Plants Corporation has asked for enlarged powers and more capital to extend its loan activities. Other Government agencies are also in position to supply many credit needs. Individual bankers likewise indicate a willingness and the ability to take care of commercial risks after the war.

CHART I

**Loans and Investmtents of Member Banks, 1929-1940**

(In Billions of Dollars)

**Source: Federal Reserve Chart Book,** June 14, 1940, page 13.



The situation now existing is more favorable for credit expansion than that existing after the last war, or even during the late depression. The banks are in a far more liquid position now than in those periods. Their assets are in a far stronger position than ever before. The liquidation of slow and doubtful loans left in the wake of the last boom is a matter of common knowledge, as is the weeding out of weak banks.[10] Treasury policies in financing this war have strengthened the position of the nation's banks. Commercial banks have been urged to buy short-term issues, and the long-term securities eligible for purchase have been limited to maturities of not to exceed 10 years.[11] Even as a result of the expansion of war-time credits the liquid position of commercial banks has been improved. In the post-war years, they should be able to meet, without difficulty, the credit requirements of both the Government and private borrowers.

Moreover, as time moves on, substantial portions of their securities will mature, thus improving, technically at least, their credit positions and their ability to accommodate borrowers—even old ones. As of February 28, 1945, commercial banks held $25,702,000,000 of United States securities, due or callable within one year, out of a total of $57,836,000,000 of such securities outstanding.[12] Almost 26% of the Government issues held by such banks were in Treasury bills and certificates of indebtedness, all due within one year; 21% were in notes, the longest of which were due in 5 years; 42% of their bond holdings matured within 10 years. Insurance companies held $1,601,000,000 of United States securities due within five years. Non-bank borrowers, exclusive of Government agencies and the Federal Reserve System, held over $10,670,000,000 of Federal issues due within one year and $17,400,000,000 due within five years. The holdings of these institutions are shown in Table VII. These maturities will enable individual institutions so to readjust portfolios and loans as to enable them to meet needs of individual borrowers, but for the financial system as a whole only the repayment of maturing issues with the proceeds of taxation would make possible a corresponding increase in loans if they were otherwise fully invested, had no excess reserves, did not secure advances from the Reserve banks or sell other securities in order to secure cash. If the Government refunded its maturing issues, new lenders would have to provide the cash for those who wanted it. For some years to come, refunding seems to be a more probable policy than repayment, and if the Federal Government should continue to expand the debt, the maturity dates will only signal the renewal of obligations for the banking and financial system **as a whole.**

This does not mean that only the future financial needs of the Government can be met. The reserve requirements of Federal Reserve banks have just been reduced by Congressional action.[13] These added reserves may be utilized in the continued financing of the war, perhaps through increased use of short-term paper. Should this be done the post-war credit needs of private borrowers can be met by member banks if in no other way, then from discounts and advances from the Federal Reserve Banks. The advances, secured by Government securities or other eligible paper, can be obtained at rates of from one-half to 1½%, depending upon the maturity and the type of security offered.[14] In earlier times, when "discounting at the Fed" was a customary banking practice, these rates were manipulated by the Reserve System as an instrument of credit control. Their effectiveness waned during the depression and even now many bankers are loath to show an indebtedness to the central bank on their statements. The result is that most banks have bought and sold Treasury bills or other securities (now mainly certificates of indebtedness) to adjust their reserve positions, or to meet needs of borrowers. This course involves loss of interest on the securities sold; whereas, if advances are made by the Reserve banks, interest is merely reduced by the rates charged.[15] Recently, and particularly as the banks have invested larger and larger sums in Government securities, the practice of "discounting with the Fed" has begun to increase. In the four weeks after April 25, 1945, such borrowings from the Reserve banks increased $216,000,000 to establish a new 12-year record. During the last week in May, member-bank borrowings were enlarged $162,000,000 to an aggregate of $886,000,000—another record. Table VIII shows the upward trend in advances and discounts

TABLE VIII

**Discounts and Advances for Member and Non-Member Banks by All Federal Reserve Banks: 1943-45**

(In Thousands of Dollars)

| End of Month: | 1943 | 1944 | 1945 |
|---|---|---|---|
| January | $13.858 | $21,717 | $175,850 |
| February | 15,557 | 33,700 | 320,776 |
| March | 12,721 | 62,715 | 244,754 |
| April | 13,163 | 118,338 | 489,050 |
| May | 30,718 | 236,627 | †885,534 |
| June | 4,990 | 12,680 | |
| July | 15,860 | 37,079 | |
| August | 58,789 | 95,349 | |
| September | 11,810 | 49,355 | |
| October | 25,545 | 345,336 | |
| November | 51,500 | 473,213 | |
| December | 5,255 | 79,825 | |
| Aver. outstg. at end of month | $21,647 | $130,495 | *$419,193 |

Compiled from the "Federal Reserve Bulletin."

*Average for 5 months.

†May 30, 1945. Secured from Federal Reserve Bank of Chicago.

(Continued on page 754)

TABLE VII

**Ownership of U. S. Government Securities by Commercial Banks, Insurance Companies and Other Non-Bank Holders by Types of Security and Maturity: Feb. 28, 1945**

(Amounts in Millions of Dollars)

| Type of Security— | Total | | *Commercial Banks | | Mutual Saving Banks | | Insurance Companies | | †Other Non-Bank Owners | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Amount | % | Amount | % | Amount | % | Amount | % | Amount | % |
| Total outstanding securities, Issued or guaranteed | $163,166 | 100.0 | $72.543 | 100.0 | $8,476 | 100.0 | $19.239 | 100.0 | $38.168 | 100.0 |
| Treasury bills | 16,399 | 10.0 | 3,387 | 4.7 | 7 | ---- | ---- | ---- | 1,164 | 3.1 |
| Certificates of indebtedness | 30,396 | 18.6 | 15,259 | 21.0 | 203 | 2.4 | 429 | 2.2 | 9.509 | 24.9 |
| Treasury notes | 23,039 | 14.1 | 15,560 | 21.4 | 330 | 3.9 | 662 | 3.4 | 4,856 | 12.8 |
| Guaranteed securities | 786 | .5 | 586 | .8 | 4 | ---- | 16 | .1 | 175 | .5 |
| Treasury bonds—total | 92,349 | 56.6 | 37.737 | 52.0 | 7,031 | 93.6 | 18.182 | 94.3 | 22,311 | 58.5 |
| Maturity within 5 years | 7,824 | 4.8 | 4.770 | 6.6 | 172 | 2.0 | 510 | 2 6 | 1,856 | 4.9 |
| Maturity in 5-10 years | 44,645 | 27.4 | 25.507 | 35.2 | 3.743 | 44.2 | 4 437 | 23.2 | 9,569 | 25.1 |
| Maturity in 10-20 years | 14,445 | 8.9 | 5.466 | 7.5 | 1.829 | 21.6 | 2.607 | 13.5 | 3.538 | 9.3 |
| Maturity after 20 years | 25,433 | 15.6 | 1,991 | 2.7 | 2,187 | 25.8 | 10,600 | 55.0 | 7,349 | 19.3 |

Data taken from "Federal Reserve Bulletin," May, 1945, p. 462.

Due to rounding of original figures percentages will not necessarily add up to totals.

*Includes stock savings banks. †Does not include securities owned by U. S. Government agencies or trust funds, or Federal Reserve banks. These must be added to four groups shown above to equal amounts shown in "Total" column.

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All footnotes at end of article.

# Impact of the National Debt Upon Banks and the Capital Market

(Continued from page 753)

by the Reserve banks since January, 1943. With the more general use of this policy there can be no question as to the ability of the banking system to meet post-war credit needs. Indeed, many economists fear the possibility of inflation from over-expanded post-war credits. The availability of advances to member banks by the Reserve banks is one of the contributing dangers in that situation. The volume of possible advances grows as investments in Government obligations increase. This factor in any post-war inflation can be controlled by the Reserve System. The possibility and control of inflation after the war is, however, reserved for discussion on another occasion.

### Will Credit Be Supplied?

The adequacy of the credit resources in the banking system does not necessarily mean that loans will be made. The concentration of the practically riskless Government securities in the banks may cause these institutions **in the aggregate** to eschew the assumption of other risks. During the war the V, VT and T loans guaranteed by the Army and Navy to implement war production have also caused banks to clamor for high percentage guarantees, again minimizing the risk-taking function of commercial banks. The conservatism in extending loans, carried over from the depression, has not been fully outgrown. These forces have, perhaps, changed the psychology or the character of commercial banking, making it less of a risk-taking enterprise than it was a half century ago.

Many bankers, of course, are unaware of any such changes, and in individual cases are giving attention to prospective credit needs, as well as to new opportunities to extend banking services. There are some signs of a more liberal attitude among banks in granting credit and lip service, at least, to the proposition that credit will be extended to all enterprises, regardless of size, that are deserving of credit. Whether these counsels will be carried out remains to be seen.

TABLE IX

**Investments of All Member Banks in U. S. Government Obligations and Their Relation to Total Loans and Investments**

(Amounts in Millions of Dollars)

| Call Date Nearest June 30 | Total Loans & Investm'ts | U. S. Govt. Obligations | Ratio of U. S. Obligations to Total Loans & Investm'ts |
|---|---|---|---|
| *1914 | $8,498 | $760 | 8.9% |
| 1915 | 8,764 | 749 | 8.5 |
| 1916 | 10,315 | 703 | 6.8 |
| 1917 | 12,453 | 1,065 | 8.5 |
| 1918 | 18,507 | 2,465 | 13.3 |
| 1919 | 22,242 | 3,803 | 17.1 |
| 1920 | 25,559 | 2,811 | 11.0 |
| 1921 | 24,121 | 2,561 | 10.6 |
| 1922 | 24,182 | 3,205 | 13.2 |
| 1923 | 26,507 | 3,835 | 14.5 |
| 1924 | 27,167 | 3,575 | 13.2 |
| 1925 | 29,518 | 3,780 | 12.8 |
| 1926 | 31,184 | 3,745 | 12.0 |
| 1927 | 32,756 | 3,796 | 11.6 |
| 1928 | 35,061 | 4,225 | 12.0 |
| 1929 | 35,711 | 4,155 | 11.6 |
| 1930 | 35,656 | 4,061 | 11.4 |
| 1931 | 33,923 | 5,343 | 15.7 |
| 1932 | 28,001 | 5,628 | 20.1 |
| 1933 | 24,786 | 6,887 | 27.8 |
| 1934 | 27,175 | 9,413 | 34.6 |
| 1935 | 28,785 | 11,430 | 39.7 |
| 1936 | 32,259 | 13,672 | 42.4 |
| 1937 | 32,739 | 12,689 | 38.8 |
| 1938 | 30,721 | 12,343 | 40.2 |
| 1939 | 32,603 | 13,777 | 42.3 |
| 1940 | 34,451 | 14,722 | 42.7 |
| 1941 | 40,659 | 18,078 | 44.5 |
| 1942 | 46,800 | 24,098 | 51.5 |
| 1943 | 67,155 | 46,980 | 70.0 |
| 1944 | 83,587 | 60,339 | 72.2 |
| Dec. 1944 | 91,569 | 67,685 | 73.9 |

*December 31.

Data taken from **Banking and Monetary Statistics**, Board of Governors of the Federal Reserve System, Washington, D. C., 1943, pp. 72-74; **Federal Reserve Bulletin**, May, 1945, p. 448.

The tremendous increase in the amount of Government paper among the earning assets of banks may, however, cause some institutions to prefer investments in Government securities to loans involving normal business risks. In 1944, over 72% of the total loans and investments of member banks were in United States obligations. The upward trend began during World War I and was accelerated by the deficits of the depression, as is shown in Table IX. The United States securities owned by member banks on December 31, 1944—about $68,000,000,000—was more than all member-bank loans and investments on June 30, 1943. Present holdings are twice as great as total loans and investments in 1929.

The banks have reached a position where over half of their earnings are now coming from interest and dividends on securities, composed predominantly of Federal obligations. In 1944, member-bank earnings were $1,874,000,000 while interest and dividends on securities were $960,000,000—almost twice as much as had ever been received from this source in spite of declining rates of interest. The trend since 1919 is shown in Table X.[16] Next year, and as the amount of Federal debt increases, bringing about a growth in bank ownership of such securities, the contribution of Federal interest payments to bank earnings will increase. In 1944, interest and dividends on securities covered over 85% of the cost of bank operations for member banks as a group.[17] It looks as though it may not be long until interest and dividends more than cover all expenses of bank operations **for banks as a whole.** By way of caution it should be added, however, that what is true for all banks does not necessarily hold for single institutions.

TABLE X

**Member Bank Earnings: Total and Amount From Interest and Dividends on Securities**

(Amounts in Millions of Dollars)

| Year | Bank Earnings Total | Interest & Dividends on Securities | Ratio of Interest & Div. on Securs. to Total Bank Earnings | Ratio of Interest & Dividends on Securs. to Securities |
|---|---|---|---|---|
|  |  | † | % | % |
| 1919 | $1,436 |  |  |  |
| 1920 | 1,804 |  |  |  |
| 1921 | 1,744 |  |  |  |
| 1922 | 1,652 |  |  |  |
| 1923 | 1,720 |  |  |  |
| 1924 | 1,787 |  |  |  |
| 1925 | 1,919 |  |  |  |
| 1926 | 2,028 |  |  |  |
| 1927 | 2,014 | $458 | 22.8 | 4.7 |
| 1928 | 2,194 | 498 | 22.7 | 4.7 |
| 1929 | 2,399 | 473 | 19.7 | 4.7 |
| 1930 | 2,158 | 472 | 21.9 | 4.6 |
| 1931 | 1,841 | 480 | 26.1 | 4.1 |
| 1932 | 1,554 | 458 | 29.5 | 3.9 |
| 1933 | 1,237 | 426 | 34.5 | 3.5 |
| 1934 | 1,244 | 474 | 38.1 | 3.3 |
| 1935 | 1,207 | 467 | 38.7 | 2.8 |
| 1936 | 1,271 | 487 | 38.3 | 2.6 |
| 1937 | 1,321 | 481 | 36.4 | 2.6 |
| 1938 | 1,274 | 448 | 35.2 | 2.5 |
| 1939 | 1,296 | 444 | 34.3 | 2.3 |
| 1940 | 1,323 | 431 | 32.6 | 2.1 |
| 1941 | 1,417 | 445 | 31.4 | 1.9 |
| 1942 | 1,487 | 540 | 36.3 | 1.8 |
| 1943 | 1,650 | 766 | 46.4 | 1.4 |
| 1944 | 1,874 | 960 | 51.2 | 1.5 |
| 1945 |  |  |  |  |

Data taken from **Banking and Monetary Statistics**, 1943, pp. 262-65; **Federal Reserve Bulletin**, May, 1945, p. 431.

†Not available separately prior to 1927.

Put in another way, this situation means that the taxpayers of the United States paid to member banks approximately $884,540,000 in interest for the creation of credit primarily to finance the war.[18] Member banks thus received 29.5% of the interest payments on the national debt.[19] If this ratio is applied to interest payments made during the fiscal year 1945, which ends on June 30, member banks will have received during that 12-month period approximately $1,106,000,000.[20] This was about equal to total interest payments during the fiscal year ending June 30, 1941.[21] This is, indeed, a colossal sum to pay the banks for manufacturing credit for the use of the United States Government under powers granted by that government! Departures from current borrowing folkways, of course, create other problems, and this is not the place to discuss them. Nevertheless, the growth in the size of the public debt, the concentration of debt ownership in banks and financial institutions, and the overshadowing importance of interest payments in the earnings of these institutions all add momentum to movements seeking further to reduce interest costs on the relatively riskless national debt.

If, in the post-war period, banks prefer to collect interest on Government obligations rather than to assume their normal functions of undertaking commercial risks, they can be assured that others will sponsor legislation and management techniques to reduce interest on bank loans to the Government, or that they will champion the establishment of new credit institutions, Government-owned or otherwise, to perform the neglected risk-taking functions needed by a dynamic industrial society. It is certain, too, that the banks must continue to finance the Government by holding its debt instruments far into the future. Payments for this service will be forthcoming but probably at rates which recognize the relatively riskless character of the advances and the nature of their creation. Likewise, the financing of Government must not be regarded as competitive with private financing, nor allowed to interfere with it. This may bring about a differentiation in securities owned by banks as compared with non-bank owners, as well as the creation of a greater differential in rates paid to bank and non-bank holders. There seems to be little reason why banks should be paid the same or equivalent rates for manufacturing credit as are paid non-bank borrowers for surrendering current income or accumulated savings. Whether such changes, if they should transpire, would affect interest rates in general is difficult to predict. The effect would depend on many variables such as the form of the debt, its negotiability, convertibility, probable redemption, alternative demands for capital, price levels, and other factors. In any case, interest rates in the predictable future will probably be low, and adequate capital will be available for post-war uses, even without drastic change in the nature of present banking arrangements. Changes in future banking techniques, moreover, are more likely to affect the handling of the public debt than private credit. But abundance of loanable funds to both public and private enterprise seems assured. Here may be the crux of post-war inflation.

### Debt Redemption

Finally, the problems and difficulties of redemption are aggravated by the size of the outstanding debt. The larger it is the heavier are the amortization costs and the taxes necessary to cover service payments, the possibility of monetizing the debt not being considered. As the costs of amortization increase, so do the arguments and movements to postpone redemption, in order that enhanced production or larger incomes or depreciated currency may be utilized to minimize the weight of payments. As amortization payments tend to be scaled down or as projected periods for sinking-fund operations are extended, where such retirement methods are adopted, the probability of substantial reduction, or even of net reductions over long periods of time, becomes more remote. As debts increase in size, taxpayers tend to prefer reductions in present taxes to repayment of debt, especially since individuals in need of cash can either present non-marketable issues for redemption or sell negotiable series on the open market. Thus, the larger debts become, the more remote the probabilities of repayment. These difficulties are augmented, too, by fiscal policies which seek to utilize tax reduction as a stimulus to full employment.

Frequently, to satisfy the demand for debt redemption, sinking funds operative over long periods of, say, 50 or 100 years, are proposed. The payments thus made are mere token payments and the debt reduction accomplished is purely nominal. In the history of nations such long-term calculations have usually been upset. Wars have occurred, depressions have intervened, emergencies have arisen or new expenditure programs have been adopted with the result that budgetary surpluses, without which debt reduction can not be accomplished, have been replaced by deficits. The outcome has been that debts have increased rather than decreased, and sinking-fund appropriations have only increased aggregate borrowings during such times. The "fair weather policy" of small sinking funds, or long periods for amortization, will not retire significant portions of large debts. If the United States is to retire a substantial part of its post-war debt, a more determined policy will be required.

When it is realized that high taxes required for debt redemption are being imposed in order to pay billions of dollars to banks and financial institutions, citizens can not be expected to approve, over the years, the continuance of such arrangements. It is true that payments of internal debts make the nation **as a whole** neither richer nor poorer, but taxes for debt redemption seldom bear the same relative relation to personal incomes as interest received. Consequently debt payments, and the taxes imposed therefor, may unequally affect the distribution of income and wealth within society. The effects on incentives to work, save and invest produced by taxes for debt repayment may not be offset by countervailing effects of debt payments themselves, and of public expenditures. Just what the probable effects will be requires more data relative both to the distribution of taxation and debt ownership **in re** income arrays and the effects of taxation, on the one hand, and of interest and principal repayments, on the other, than is now available. This analysis is complicated by institutional holdings of the debt but these same holdings seem to indicate greater participation by middle- and lower-income groups than in previous times. Debt payments, therefore, should not enhance inequalities in income and wealth to the extent previously true. Likewise, the relatively greater progression in Federal taxes has made for more equality in income distributions. How these trends have affected risk functions in society is not so clear. But as both the incidence of taxation and of debt payments are difficult to trace, political repercussions may arise from the realization of the amount of payments going to institutional owners, regardless of the extent to which such payments are eventually diffused.

From all points of view, therefore, it appears that the size of the debt and its ownership distribution presage increasing efforts, in the future, to minimize the costs of debt service and to control payments made merely for creating credit. These tendencies directed at the public debt need not affect either the supply of credit available to private borrowers or increase its cost. Private borrowers thus have little to fear from the largest national debt in history; their concern should be directed at the way the debt is managed.

All footnotes at end of article.

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1. Cf. Slater, Alvin, "Wartime Debt Changes in the United States," **Survey of Current Business**, Vol. 24, No. 7, pp. 16-18 (July 1944).
2. United States Department of Agriculture, Bureau of Agricultural Economics, Release, July 1944.
3. Such financing amounted to about $3 billion. Slater, **loc. cit.**, p. 18.
4. **Annual Report of the Secretary of the Treasury**, 1944, pp. 529-30, 627.
5. **Ibid.**, p. 713.
6. **Bulletin of the Treasury Department**, May 1945, p. 27.
7. Cf. bond yields in **Federal Reserve Charts on Bank Credit, Money Rates and Business**, 1940, pp. 21, 24-25; **Bulletin of the Treasury Department**, May 1945, p. 60.
8. See also Tables II, III and V appearing in Part I Section, published in the "Chronicle" of Aug. 9.
9. Senate Bill 511, 79th Congress, First Session. Introduced Feb. 12, 1945.
10. On Dec. 31, 1944 there were 6,814 member banks in the Federal Reserve System as compared with 8,522 on the same date in 1929.
11. Cf. **Annual Report of the Secretary of the Treasury**, 1943, pp. 5-6.
12. **Federal Reserve Bulletin**, May 1945, p. 462n.
13. Cf. Senate Bill 510, 79th Congress, First Session. Introduced Feb. 12, 1945. Measure signed by President Truman, June 12, 1945.
14. See **Federal Reserve Bulletin**, May 1945, p. 438. Higher rates are available to non-member banks and others secured by U. S. obligations.
15. This statement holds true so long as rates charged on advances are less than the rates paid on the obligations offered to secure advances. Cf. rates now in effect. **Federal Reserve Bulletin**, May 1945, p. 438.
16. Unfortunately the earnings from United States securities are not separately available.
17. Cf. **Federal Reserve Bulletin**, May 1945, pp. 429-31.
18. This figure was obtained by apportioning to interest on United States securities 92.16% of the interest and dividends on securities of member banks. Total securities held were $65,455,000,000; United States government securities were $60,324,000,000, or 92.16% of total. Earnings from interest and dividends on securities amounted to $959,787,000; 92.16% thereof was $884,539,699. Cf. **Federal Reserve Bulletin**, May 1945, p. 491. Inasmuch as interest rates on government obligations are generally lower than rates paid on other securities this method of computation may slightly exaggerate United States interest payments to banks. Exact payments by class of securities are not available.
19. Total interest payments on the public debt during calendar year 1944 were approximately $3,001,806,000. **Daily Treasury Statements.**
20. Estimated interest payments during fiscal year 1945 were $3,750,000,000. Cf. **Bulletin of the Treasury Department**, May 1945, p. 2.
21. Interest payments during that year were $1,110,692,812. **Annual Report of the Secretary of the Treasury**, 1944, p. 531.

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## May Cotton Consumption

The Census Bureau at Washington on June 14 issued its report showing cotton consumed in the United States, cotton on hand, and active cotton spindles in the month of May.

In the month of May, 1945, cotton consumed amounted to 830,568 bales of lint and 128,943 bales of linters, as compared with 769,678 bales of lint and 125,707 bales of linters in April, and 832,812 bales of lint and 122,863 bales of linters in May, 1944.

In the eight months ending May 31 cotton consumption was 8,116,679 bales of lint and 1,248,668 bales of linters, which compares with 8,414,145 bales of lint and 1,109,604 bales of linters in the corresponding period a year ago.

There were 2,141,193 bales of lint and 322,560 bales of linters on hand in consuming establishments on May 31, 1945, which compares with 2,187,916 bales of lint and 322,021 bales of linters on April 30, 1945, and 2,111,207 biles of lint and 402,279 bales of linters on May 31, 1944.

On hand in public storage and at compresses on May 31, 1945, there were 10,132,723 bales of lint and 36,644 bales of linters, which compares with 11,025,514 bales of lint and 39,314 bales of linters on April 30, and 9,574,489 bales of lint and 87,622 bales of linters on May 31, 1944.

There were 22,167,678 cotton spindles active during May, which compares with 22,158,674 cotton spindles active during April, 1945, and with 22,384,986 active cotton spindles during May, 1944.

# "How Can We Avoid Another Depression?"

(Continued from page 730)

that world have periods of economic depression? That is the question which every American, in uniform or civilian clothes, has been asking.

Some experts predict a period of tremendous prosperity in the immediate post-war future, to last until the pent-up buying energy of people who have been starved for civilian luxuries is finally exhausted—and then the boom will burst and we will again hit the economic bottom of the early 1930's. They say we have always had depressions and booms; therefore, we will continue having them in our society.

Others say we don't have to have depressions. If government plans wisely with industry, they claim we should be able to maintain our economy on an even keel.

Does this necessarily mean a planned economy? That phrase has not been accepted too kindly by American business. To many, it smacks of regimentation, of a form of government alien to our own.

This evening we pose the question, "What Can We Do to Combat Depressions?" With Europe going socialist, or even a little further to the left, we hear talk on all sides of America being the last remaining haven of capitalism. On our ability to answer correctly the question of this evening depends the maintenance of our present economic system.

Just how can we combat depressions? Can it be done by lowering taxes and giving industry a free hand? Can it be done by Government going into business as a stabilizer? Can it be done by huge Government expenditures? To answer these and other questions we have brought to the American Forum this evening four of the nation's distinguished economists.

First, the Research Director of the Machinery and Allied Products Institute, a former economist with the Federal Reserve Board, a Brookings graduate and author of the recent book, "The Bogey of Economic Maturity," Mr. George Terborgh.

**Mr. Terborgh:** I believe we can say with assurance that another major depression can be and will be avoided. We shall deceive ourselves, however, if we imagine that it is possible at present, within the framework of a free society, to eliminate economic fluctuations entirely or to achieve the goal of continuous full employment. The art of economic stabilization is in its infancy. The Federal Government, on which the major responsibility must fall, has as yet neither the knowledge, the experience, nor the organizational setup to guarantee full success. The art will however be mastered in time.

**Chairman Granik:** Thank you, Mr. Terborgh.

Next, the Deputy Director of the Office of War Mobilization and Reconversion, former Chairman of the Planning Committee of the War Production Board, Robert R. Nathan.

**Mr. Nathan:** I believe that not only can we successfully combat future depressions; we must if our form of government and our economic system is to prevail. The people of this country will not stand for booms and busts in the future. They have seen how we have mobilized for war and they will demand that we mobilize just as effectively for peace, for full employment, and for economic security. It is my firm conviction that we can accomplish these goals through government and industry cooperation.

**Chairman Granik:** Thank you, Mr. Nathan.

Next the Director of the Economic Research Department, United States Chamber of Commerce. A Professor of Economics on leave from the University of Minnesota, he is in addition to his other duties Editor of the American Economic Security magazine, Dr. Emerson P. Schmidt.

**Dr. Schmidt:** There appear to be only two ways of avoiding depression: one, a completely regimented society in which there is little or no consumer or investor free decision or choice; two, a society in which the costs and prices are perfectly flexible and fluid. There is no unemployment in a prison or a concentration camp.

All over-all planned economies have been regimented societies. On the other hand, complete fluidity of prices and costs are highly improbable. For these reasons, while we can minimize depressions, we have no right to mislead the public by promising the end of all depressions.

**Chairman Granik:** Thank you, Dr. Schmidt.

And now, the first administrator of the OPA, an outstanding economist closely identified with many government reforms, and now the Chief Economist for the Research Institute of America, Leon Henderson:

**Mr. Henderson:** We mobilized all the resources of this nation to fight a war. It is inconceivable that we can't or won't mobilize just as effectively to wage war on unemployment. I do not for a moment believe that this nation has reached the limit of its growth. Neither do I believe that booms and depressions are inevitable. Mobilization for war didn't just happen; it took planning and fighting. When I think of the number of "practical" people who told us we were wrong, I wonder how we ever accomplished anything.

The answer to the question we discuss this evening lies in the success or failure of joint action by government and industry.

**Chairman Granik:** Thank you, gentlemen. There we have the issues and the sides are clearly drawn. To start our discussion, Mr. Henderson, if the atomic bomb ends the Japanese war next week, will we have a serious depression?

**Mr. Henderson:** I think we would, because I don't believe that this economy is prepared to absorb the 10 or 11 million men in the armed forces and the 10 to 20 million men and women who are directly or indirectly connected with the war effort.

**Dr. Schmidt:** It might be a deep depression but it would be rather short-lived, wouldn't you expect?

**Mr. Henderson:** I think the effect on the public would be just about the same. You never know when one of these things starts out what it is going to be.

**Mr. Nathan:** May we come back, Mr. Schmidt, to your first point there, where you question whether or not a depression can be avoided? I think that I would be inclined to agree with you at one point and that is during the transition period. We now have some seven or eight million people still engaged in munitions production in the United States. We still have some 12 million people in uniform. If the Jap War were to end within a few days as the question implies, there just isn't any question that those millions of men and women couldn't possibly be reabsorbed quickly into the civilian economy.

**Dr. Schmidt:** Don't you think these people are entitled to a vacation of three or four weeks or a couple of months?

**Mr. Nathan:** If you are willing to pay them during the period of vacation, that is right.

**Mr. Henderson:** Bob, how many people did we put to work in the best year of the war when there wasn't any question about price or profit or anything?

**Mr. Nathan:** During the best increase in the war—I take it you don't mean those put in uniform—the number of those put in private employment wasn't over four million. That was the peak increase.

**Mr. Terborgh:** I agree that a depression will be inevitable. I think, however, that it will be brief. We shall have, certainly, a very curious kind of depression, due to entirely different causes from the usual causes, and calling for entirely different remedies.

**Dr. Schmidt:** Thirty or forty million people are entitled to unemployment compensation—

**Mr. Henterson** [interposing]: Which are half rations. How would you like to live on what you can get out of unemployment compensation in most States, particularly in the South? Do you think there is any buying power for the members of your chamber in that?

**Dr. Schmidt:** We have 100 billion dollars of liquid assets also rattling around that can be put to use.

**Mr. Nathan:** I have two comments to make on that. In the first place, there are over 30 million people who are eligible for unemployment compensation, but according to the best technicians, approximately one-third of those who will be unemployed are expected to receive benefits. That is one side of the picture. The other side I think is very important. We have been talking loosely about this 100 billion dollars or more of savings, and the analyses that have been made indicate very clearly that those savings are not in the hands of the low income masses.

**Dr. Schmidt:** You mean they haven't bought War Bonds?

**Mr. Nathan:** They have bought some, but they have cashed in plenty, too.

**Dr. Schmidt:** They shouldn't have done that.

**Mr. Nathan:** That is a very easy thing to say; but when their income has increased moderately and the cost of living has increased at least proportionately, it isn't very easy.

**Dr. Schmidt:** Twenty-seven million people are suffering payroll reductions.

**Mr. Nathan:** A study recently made of the steel industry I think showed an average of $312 accumulated War Bonds per family—not per person, but per family.

**Dr. Schmidt:** Plus bank deposits, plus currency, plus unemployment compensation, so it is not entirely half-rations. It may be more.

**Mr. Nathan:** I am a little worried by what you say because if we are going to rely on coming out of the depression or recession, or whatever you want to call it in the transition period on the basis only of individual resources as we now have them, I am very fearful we may go from a temporary period of unemployment into a permanent period.

**Mr. Terborgh:** What is your recommendation, Bob?

**Mr. Nathan:** In addition to unemployment compensation which I hope Congress enacts when it comes back—and maybe it will be called back earlier—I think that also we should have a flexible wage policy, we should increase minimum wages, we should have our tax program adjustable in case the end of the war comes quickly, and, in addition, we should have a public works program ready of the kind that will not compete with private construction but can be put in quickly and be of a short term, flexible, valuable, efficient nature.

## Participated In Forum Debate

Leon Henderson

Dr. E. P. Schmidt

George Terborgh

**Mr. Terborgh:** Any large-scale public works program would be competitive for materials with private building, would it not?

**Mr. Nathan:** I think there are types of public works, such as roads, levees, and things of that kind, that could be undertaken quickly and would not be competitive with private building. I agree that during the period of transition we are going to have shortages of materials and you can't build up your backlog of materials, and it would be unfortunate if public works went in and competed for those short materials.

**Dr. Schmidt:** You mentioned raising minimum wages. Would you really create purchasing power by marking up wage rates?

**Mr. Henderson:** I would certainly like to say that you would. I was chief economist for the NRA and I certainly saw what happened there, and I think what has happened to purchasing power with a gradual increase over a period of time in the wage level is a matter of record.

**Dr. Schmidt:** Then let's raise the Chinese wage rates.

**Mr. Henderson:** I would be in favor of raising the Chinese wage rates.

**Dr. Schmidt:** Just marking them up?

**Mr. Henderson:** Yes. I used to be an adviser to the Chinese Government.

**Mr. Terborgh:** You got an inventory boom as a result of the NRA, but you got price increases that were commensurate with wage increases.

**Dr. Schmidt:** And choked off recovery.

**Mr. Henderson:** We got price increases because all the old monopolistic tricks of industry that were prevalent in the 20's, and some more, were put into effect.

**Mr. Terborgh:** No, you got the increases in completely non-monopolistic industries.

**Mr. Henderson:** I was there, and that was one of the things I was fighting for. The open price associations were formed outside of the trade associations.

**Mr. Terborgh:** I was writing you up at the time.

**Mr. Henderson:** Writing or riding?

**Mr. Terborgh:** Both.

**Mr. Nathan:** I would like to come back to the wage problem because Mr. Schmidt raises a very, very fundamental question. I assume the implication of your question, Schmidt, is that the desired objective is one of low wage rates.

**Dr. Schmidt:** No, no—adjusted wages.

**Mr. Nathan:** What do you mean by adjusted wages?

**Dr. Schmidt:** Wages that will absorb the total labor supply; rather than have eight or 10 million unemployed as we had in the late 30's; let's not keep freezing workers out of the labor markets.

**Mr. Nathan:** If we had cut wages in '30, '31 and '32, is it assumed we would not have had the depression?

**Mr. Henderson:** One industry, Mr. Terborgh, got down to five cents an hour. It's a shame we didn't have a great boom in lumber. The tobacco industry got down to 14 cents; the textile industry got down to 12 cents. It's a wonder we didn't have automatic recovery then.

**Mr. Nathan:** Mr. Chairman, I would like to come back to the question which wages lead to. It seems to me that we in the United States have demonstrated during the war our tremendous productive capacity, and also I think we can very readily demonstrate the fact that we do have tremendous unsatisfied needs among the American people, and we must look forward to a post-war period in which high consumption is the answer. If we don't have high consumption, if we don't have a high standard of living on the part of the people, all of these tremendous productive resources in the United States are not going to be utilized.

**Mr. Terborgh:** It doesn't follow necessarily, though, that high real consumption is a consequence of raising wage rates. We had a very substantial increase in wage rates, something like 50% in the late 30's, as you will remember, and we still never reached high consumption.

**Mr. Nathan:** No, that is right. we reached a higher consumption than we had before the wage increases were effected. It is obviously a question of the relationship of wages to prices and wages to profit.

**Dr. Schmidt:** That is what I meant by adjusted wages.

**Mr. Nathan:** I don't know exactly what you mean by adjusted wages, but I assume you mean wages adjusted downward to a point where the workers will be absorbed, but the question is, do you have any such thing as adjusted profits on the other side?

**Dr. Schmidt:** You do if you have competition.

**Mr. Henderson:** While you are on the question of competition, I want to get back to your statement because you posed the dichotomy between a completely regulated society and something of Adam Smith's laissez-faire.

**Dr. Schmidt:** I didn't mention laissez-faire.

**Mr. Henderson:** No, you didn't mention laissez-faire because I don't think you wanted to identify it, but that is what you were talking about.

**Dr. Schmidt:** Adam Smith was not for laissez-faire. His book was generally devoted to government policy.

**Mr. Henderson:** It was generaally understood for laissez-faire.

**Dr. Schmidt:** If people misunderstood poor Adam, I can't help it.

**Mr. Henderson:** It becomes a matter of dispute.

**Dr. Schmidt:** His book was devoted to what government policy should be. That is forgotten.

**Mr. Henderson:** I understand you want to go back to the place

(Continued on page 756)

# "How Can We Avoid Another Depression?"

(Continued from page 755)

where the market determines what price and wage and all cost shall be.

**Dr. Schmidt:** I think we have to restore the market to its traditional function to a greater degree than we have during the war.

**Mr. Henderson:** Do you want to start by abolishing monopolies?

**Dr. Schmidt:** I would certainly abolish all monopolies possible.

**Mr. Nathan:** Let me ask you a question, Schmidt, not to be personal, but have you ever publicly backed up any action in an anti-trust case?

**Dr. Schmidt:** Oh, yes.

**Mr. Henderson:** I would like to see it name by name and company by company.

**Dr. Schmidt:** Personally, I don't know as I have.

**Mr. Nathan:** I don't mean this from a personal point of view, but President Roosevelt once said that industry tends to talk about free enterprise and competition, and then every time you have a prosecution of an anti-trust case, it is always persecution; and in all this talk about competition, I am sure Leon and I would favor the maximum degree of competition, but the question is whether or not you can attain it and whether or not it is possible from the industrial side or any side, and if it is not, let's face the facts and see what adjustments may have to be made possible because we have an imperfect competitive picture.

**Mr. Henderson:** I want to get into that because I don't agree it is a choice between the two. We have had a mixed economy for quite a long time. I think we can still have one as long as we keep the democratic process and as long as the voters, the people, are able to make the big determination between what they want and what they don't want. If the government program is one of fortifying consumption by fiscal policy, I don't see any reason why we can't have the most vigorous of competition for the consumer's dollar.

**Dr. Schmidt:** The Germans had the kind of "amphibious" income you are talking about. About half of the national income was in control of the government when Hitler assumed power.

**Mr. Henderson:** I didn't suggest for one minute that half of the income go to the government nor that anything Hitlerian should be undertaken. There are a lot of things you can identify—

**Dr. Schmidt** [Interposing]: We are destined to have 25% of the national income filtered through government in the post-war period—state and local.

**Mr. Nathan:** You figure thirty-five million?

**Dr. Schmidt:** Something of that nature—control by TVA and various other things you might add on.

**Mr. Nathan:** I would like to ask Schmidt or Terborgh a question. George, what role do you see for government in this attempt to avoid or combat depressions?

**Mr. Terborgh:** I see a very major role. I have no illusions that this is a problem which can be solved by the internal actions of business as such.

**Dr. Schmidt:** They can do something.

**Mr. Terborgh:** There are many things that can be done on that front, but basically it is a problem that will have to be solved by the Federal Government.

**Mr. Nathan:** Schmidt, what can business do? I am interested in that because while I certainly have the greatest respect for the achievement of all industry during the war and for the tremendous progress which American history indicates, I seem to recall back in 1929, '30, '31, and '32, when people were asked to hire workers and put them on the pay roll and add another man and increase the flow of buying power, unfortunately, and I think with cause, industry seemed to be paralyzed to do anything about it. What should industry do?

**Dr. Schmidt:** When you say industry, do you mean industry acting collectively through some super-organization, or the individual man—the man that runs the hamburger stand?

**Mr. Nathan:** Let's separate the two. First, can the individual business man do anything?

**Dr. Schmidt:** I think he can do something, and we exhort him constantly to do something. We encourage them to regularize employment through experience rating and the unemployment compensation law. We think that is one of the tools, a combination of government and industry.

We think that inventory speculation is a very dangerous thing.

**Mr. Terborgh:** But Bob, don't you consider the episode of 1931-32 as an example of the lack of success of governmental policies?

**Mr. Nathan:** No, I certainly don't. I think it is a lack of governmental policy rather than a lack of success of it.

**Mr. Terborgh:** It was maladministration of controls the government had—control over credit.

**Mr. Nathan:** Nonfeasance — it wouldn't do anything.

**Mr. Terborgh:** I agree.

**Mr. Henderson:** In other words, Mr. Terborgh doesn't agree with the Hoover policies and he would lay the depression on his doorstep.

**Mr. Nathan:** Now let's come back to this other matter, Schmidt. What about the element of business collectively? What can business collecively do to avoid a real depression?

**Dr. Schmidt:** I don't think business collectively can do very much to avoid a depression because the anti-trust laws are right on their necks. It is up to the individual.

**Mr. Henderson:** In other words, in order for business to act collectively, we have got to violate the tradition of competition, is that it?

**Dr. Schmidt:** I think that is the very meaning of collective action. For example, they control new investment — the trade associations do. Do we want that in this country?

**Mr. Henderson:** Do you?

**Dr. Schmidt:** I certainly don't.

**Mr. Henderson:** What about all society, acting through government, doing something?

**Dr. Schmidt:** That is in a different realm. Bob wants to talk about what business can do.

**Mr. Nathan:** That is what I want to bring it around to. It seems to me one place in a competitive society where one can turn to try to correct any kind of distortions or any kind of organizational difficulties that stem from and lead to these depressions. The question in my mind is, just how far shall government go in doing that, since government is the only one that can do anything about it?

**Dr. Schmidt:** I would like to see government try to devise incentives. I am not sure this is a good suggestion but we certainly ought to look into the possibility of taxing inventory profits. I am not recommending it, but if inventory accumulation was the major cause of the 1930 collapse, we ought to avoid inventory accumulation. Should businessmen cooperate with the government in that?

**Mr. Terborgh:** I am not questioning, myself, that this is a job for government. I merely say that the remedies that were tried in the 30's were either unsuccessful or only partially successful, and that the same remedies are now urged today without proposals for correcting the errors of the 30's.

**Mr. Nathan:** Unfortunately, the remedies of the 30's I think were nonfeasance, where no actions were taken, or inadequate actions.

**Mr. Henderson:** There never was a time when the government spending program was adequate to take care of every party out of a job. I think that is one of the disgraces of the 30's.

**Mr. Terborgh:** What would they have done to employ everybody out of a job? I would like to get a list of the projects, or types of projects.

**Dr. Schmidt:** Or the dollar value.

**Mr. Henderson:** I think if you had a Social Security program where somebody lived reasonably decently while out of a job, you would have a stimulation to buying. I think if you had a tax policy that exempted—take my idea of getting rid of corporate taxes entirely, and also exempting people or families that spend all their income for consumption purposes. I think there was a tremendous drain of all of the regressive taxes on purchasing power during the 30's, and I think we certainly could have developed a housing industry. All during this time there was a tremendous shortage of housing and there was never any possibility of getting a really adequate housing program.

**Mr. Terborgh:** That raises a point I am very much interested in, because the failure of the building industry to revive in the second half of the 30's was perhaps the most characteristic feature of that era, and it was in no small degree attributable, I believe, to the fact that we raised building costs by more than a third during the four years 1933 to '37. We killed off the recovery of housing construction by a mistaken policy as to costs in the building field. The NRA did part of it. The great boom of '36 to '37, the organizing boom of that period, did the rest of it.

**Mr. Henderson:** If you had the government creating conditions under which the construction industry could have gotten rid of the monopolies on the one side, the restrictions by the cities on the other, and the labor monopolies, you could have gotten the cost of the house down to where somebody could buy it.

**Mr. Terborgh:** I agree.

**Mr. Henderson:** The construction industry under the so-called laissez-faire system has been going along now since the early 20's and has not gotten itself into shape where you can get a decent dollar's value in housing. It seems to me that there is a governmental situation.

**Mr. Terborgh:** What should the government do?

**Mr. Henderson:** I would have the government bring about a set of conditions under which you would get a real guaranteed annual wage, for example, for the construction industry. I think your dollar cost in housing for labor would go 'way, 'way down.

**Dr. Schmidt:** How would you implement the guaranteed wage? Would you pass a law?

**Mr. Henderson:** I would be glad to pass a law. I am ready to pass a law any time it is going to mean some employment, because, to me, one of the disgraces of the period I have lived in has been unemployment.

**Mr. Terborgh:** Do you think that compelling contractors, mostly small fry, to guarantee annual wages in an industry like that—

**Mr. Henderson** [Interposing]: That doesn't have to be guaranteed by the small contractors, if you have a joint participation between the contractors and the government. We have it on many, many other fronts. There is a joint participation with the government on housing finance. Certainly it has been one of the best things we have ever done to bring down the interest cost. It is a minor levy that worked very effectively—a reduction of ½ of 1% in the FHA interest rate in 1938.

**Mr. Nathan:** I think if we go off on that one field we are going to miss the big issue. The big issue is, first of all, whether depressions can be avoided, whether they can be combated. I would like to stick my neck 'way out and say that my guess is that depressions have no divine origin, depressions are not inevitable, and we can do something about them; secondly, unless we do something about it, whatever degree of free competition we have is going to be lost to us and we are going to have some other kind of system. It seems to me the biggest single threat to the competitive free enterprise system lies in conditions such as we had in the early 30's, and until government does something about it we are not going to have any answer to that.

**Mr. Terborgh:** Those are non-controversial statements but I should like to ask, should we leap to the alternative of governmental guarantee of perpetually full employment?

**Mr. Nathan:** If you mean by perpetually full employment that everybody gets a job the day he is out of uniform, I would be inclined to say no, you wouldn't get flexibility in the system; but if you mean we won't have more than three million unemployed at any one time—or you might go to four—then we don't want a guarantee beyond that, that is different; but if you are going to sit back and let it go to ten or fifteen or twenty million unemployed, I don't think there is any question about it that government—

**Mr. Terborgh** [Interposing]: You are not talking to me, you understand, I have said the contrary; but I am asking whether we must go to the other extreme of undertaking a commitment to see to it that everybody has a job all the time.

**Mr. Nathan:** Not everybody all the time, Terborgh, but we must see to it that there are opportunities for people to get to work, and get to work reasonably quickly once they lose a job. In this advanced, in this competitive, in this interdependent society of ours, when a man loses his job his sole source of income is gone and he hasn't a chance to go out and develop some kind of job as he did in the early days when people were more or less on their own initiative, and it seems to me the government has a very, very fundamental responsibility to see to it that job opportunities are available reasonably soon after anybody loses a job, and if private industry doesn't do it, I think government must.

**Mr. Henderson:** I certainly tend to agree with Bob, and I would like to ask Terborgh and Schmidt, which do they think is worse, some kind of undertaking on the part of government for reasonably full employment or avoiding all the trouble that comes with, say, ten million people unemployed?

**Dr. Schmidt:** I think there is no disagreement on that, but I would like to see us spell out what are those things that the government ought to do.

**Mr. Henderson:** I will be glad to spell some of them out. In the first place, I would like to see the government accept this responsibility, and then I would like to see—

**Dr. Schmidt:** Pass the Murray Full Employment Bill, is that it?

**Mr. Henderson:** I will take that as a starter, because that says that government does assume this responsibility.

**Dr. Schmidt:** It says that the United States does.

**Mr. Henderson:** The United States assumes this responsibility.

**Dr. Schmidt:** Not the government.

**Mr. Henderson:** But to me there is no difference. Sometimes I think that people try to make a distinction between their government and themselves.

**Dr. Schmidt:** The author of the bill used the United States.

**Mr. Henderson:** I said I will take it for a starter and if you have a good amendment, I will take that too.

Once having done that, and having Congress committed to that particular idea, I would like to see a program on taxation, on social security, on minimum wages, particularly for the very, very low level people. I would like to see a program for fortifying foreign trade. I would like to see the housing I talked about and stabilization of the construction industry, taken together with public works; and then I would like to see a real vigorous anti-monopoly campaign.

**Mr. Nathan:** May I add one word on that, Leon? The program which you have listed, which I think is a good basic one to start with, is one which is entirely within the sphere of government activity.

**Mr. Henderson:** And it doesn't involve a direction to a manufacturer that thou shalt produce this and nothing else.

**Mr. Nathan:** Or the government will do it if you don't.

**Dr. Schmidt:** It works indirectly rather than directly.

**Mr. Nathan:** That is right. The main thing is to see that there is an opportunity for business to employ people, an opportunity for business to provide jobs, and that opportunity must come through an assurance that there will be a market for them to sell their goods. That is why when we come back to a consideration of whether or not there is going to be a depression, I think over and over again we must come back to the realization that in order to have prosperity in the United States we are going definitely to have to have a high level of consumption.

**Mr. Terborgh:** Do you think it is possible for the Government to guarantee unequivocally to employ at all times everyone not employed by private industry?

**Mr. Nathan:** Let's take a figure, George; let's compromise with a figure of two and a half million. I think it is quite possible for the Government to say that when the level of unemployment in the United States gets to two and a half million, or let's say 4% or 5% of the total gainful workers in America, the Government will assure jobs for any additional unemployed, and if industry doesn't—if Government doesn't create the environment for industry to do it—that Government will put them to work.

**Mr. Henderson:** It doesn't necessarily mean that the Government has to have a specific job. I think if you would set a tax policy in which you had a graduated income tax and in which you would balance the budget at a high level of employment and keep it there, and I think if you provided adequate Social Security, that you would be creating some of the conditions under which people would get jobs.

**Mr. Terborgh:** That doesn't answer my question.

**Mr. Henderson:** It certainly answers it as far as I am concerned.

**Mr. Terborgh:** I asked whether the Government should undertake an unequivocal commitment to hire everybody.

**Mr. Nathan:** I will answer it unequivocally. I don't think there is any question that the Government should.

**Mr. Terborgh:** I don't think it can deliver on it.

**Mr. Nathan:** That is another question.

**Mr. Terborgh:** It would mean boondoggling.

**Mr. Henderson:** I will take boondoggling before I will take unemployment.

**Mr. Nathan:** It depends on the kind of planning the people who are against planning are willing to go along with. If we are going to take away the mechanics and the funds to do any planning, then we are certainly going to have boondoggling, but I think we are going to avoid that. This country can stand rebuilding, can stand a great deal more of the resources, services, education, health, homes, urban redevelopment, highways, bridges—there are plenty of things we need and we just don't have to have boondoggling, George.

**Mr. Terborgh:** Many of those things you would be carrying on in depression and prosperity alike. They do not offer depression remedies as such.

**Mr. Nathan:** If there is a real question, and I certainly do not grant it, but if there were a real question whether the Government could put people to work in useful activity when private industry doesn't, you must come to the conclusion that we in the United States can produce just more than we can use, and I do not agree with that.

**Mr. Henderson:** I want to get in on that, too, because I gather from what Terborgh is saying that he is talking about what you do once you are in the depression. I think that a lot of these things that you listed would keep us out of a depression because you would maintain a high level of consumption.

**Mr. Nathan:** That is a very important point, Leon. We must decide here, I believe, whether or not the Government has the responsibility to try to avoid depressions or just to alleviate conditions when we get into a depression. I would like to ask Mr. Schmidt, for instance, what do you think the Government ought to do to try to alleviate depressions, to avoid depressions?

**Dr. Schmidt:** To avoid depressions—that is a very difficult thing to do because, after all, we talk about free enterprise, but there is no such thing as free enterprise, as you can look up in the telephone book, and we have 140,000,000 people making decisions to spend and invest and how can the Government govern those people unless it regiments them? How can they prevent depression? For instance, what should we have done in '28 or '29 to prevent the subsequent depression? That is what you are asking. What would you recommend?

**Mr. Nathan:** I will give you a recommendation, but the first thing I want to say is that your implication is that the Government can do literally nothing without regimentation. I think there are certain forces in our free competitive society that cause depressions. I think there are certain distortions that arise during periods of prosperity which inevitably create the breaking point. Why did we have a depression in '29 after we had the years of prosperity and everybody through the millenium had arrived, and suddenly the thing broke? It broke because something was wrong. I think the reason we had the depression at the end of '29 was because during the 20's we didn't have enough mass buying power at low income levels; we had too much investment relative to the level of consumption. With a proper program of consumption, of Social Security, of decent, reasonably high wages, of foreign trade development, of public works when necessary, of anti-monopolistic practices, I think we can avoid a lot—not necessarily all of them but a lot of the reasons for depressions.

**Mr. Henderson:** And I don't call them regimentation.

**Dr. Schmidt:** I would agree with most of what Nathan said. Would you agree, George, we had over-investment in the late 20s?

**Mr. Nathan:** Over-investment relative to something—over-investment relative to actual consumption.

**Mr. Terborgh:** We had some in the housing field and building.

**Mr. Nathan:** What about inventory?

**Mr. Terborgh:** The inventory situation wasn't bad.

**Mr. Nathan:** We had a period of very high prosperity, very intensive economic activity, but inevitably in that period of economic activity because of distorted relationships—and I think you brought that out in your own reports, George—in the distorted relationships it was inevitable that the thing would break.

**Mr. Schmidt:** But can you see these distortions while you are going through the process or recognize them only when you have gone through?

**Mr. Nathan:** You or Terborgh said in your original statement here this evening that we haven't learned very much and it may be ultimately we will learn how to handle this thing. I think in the last decade or 15 years we have learned a great deal. Maybe we don't know the answer altogether and I am positive we have a great deal more to learn, but if we are going to sit back and be timid because we don't know everything, then Heaven help us, we won't have this kind of system to work with.

**Mr. Henderson:** I think England and Canada think the same way.

**Mr. Nathan:** They are doing something.

**Dr. Schmidt:** Will they know what to do when the crisis comes?

**Mr. Henderson:** The crisis comes when you get a certain number of people out of work, and then there is a choice of things that you can do. You can reduce taxes, you can underwrite foreign trade, you can step up the Social Security, and you can do more building. There are lots of things that you can do and, as I say, not consider them as regimentation.

**Chairman Granik:** We pause for a summation of the arguments advanced this evening. Mr. Schmidt, will you sum up?

**Dr. Schmidt:** It appears that Mr. Terborgh and I agree that while there is much that can be done to mitigate depressions in a free society where you have free consumer choice and free investor decision, it is exceedingly difficult to be sure that you can iron out the fluctuations completely.

I think Mr. Terborgh and I would agree that there may be something to the idea of a flexible tax policy. For example, if depression threatens, we might reduce taxes, as Mr. Henderson has suggested. If you could rebate taxes or remit taxes of 10 billion dollars when depression threatens, something might be done to maintain purchasing power.

Mr. Terborgh and I agree a well-rounded Social Security program is a desirable feature, and certainly we ought to provide income for everybody who loses his job. This country is rich enough, certainly, to afford that. Private business, being composed of millions of independent units, can't do very much as such, but the individual businessman probably can do a good deal by better planning, by avoiding inventory speculation, by avoiding excessive expansion, and trying to build more of his capital during depressions when he can get it at low cost rather than during peak periods as was done, for instance, in the skyscraper building in 1928 and '29 in New York.

I think there are a great many other things that the Government can do, but certainly if the Government is going to adopt a policy, it needs to coordinate all the various bureaus, especially the lending and the loan guaranty bureaus, so that you can have a flexible policy of amortization period, interest rates, and various other devices which will encourage greater loans during threatening depression and somewhat choke off the excessive loans during periods of excessive expansion.

**Chairman Granik:** Thank you, Mr. Schmidt; and will you sum up, Mr. Nathan?

**Mr. Nathan:** I think it is only fair to say that Mr. Henderson and I feel very strongly that this system of ours, as Leon once said, has a lot of kick left in it. We feel that depressions and serious unemployment and mass deprivation are not necessary and can be avoided within the framework of a free enterprise system, without regimentation.

During the transition or during the early stages of the reconversion, we feel that some disturbance, some chaos, some unemployment is going to be inevitable, but with proper governmental policies during that period as well as later on, a great deal can be accomplished to iron out these serious depressions and serious unemployment.

As for the longer run, we believe, and sincerely so, that Government does have a responsibility. Government has a responsibility to maintain a high level of economic activity. Government has a responsibility to provide people with jobs when free private enterprise cannot provide them with jobs. We believe those jobs can be provided through useful, valuable public works, because we believe that within these United States there are tremendous demands unsatisfied among the millions and millions of Americans which Government can help to satisfy.

We certainly also feel very strongly that these programs of government, which would include taxation, progressive taxation, elimination of the regressive taxes that fall on the lower income groups and affect consumption; we believe that a social security system which is adequate to provide people with a real sense of security, and financed in a way so as not to deflate rather than as the present system does; we believe minimum wages and a continuous high wage policy; we believe that foreign trade, foreign development, foreign loans, public works program and a vigorous anti-trust and anti-monopolistic activity on the part of government; will combine together to help give this system of ours the economic environment necessary for private industry to provide jobs. Private industry alone cannot do it and Government must.

**Chairman Granik:** Thank you, Mr. Nathan. Our time is up. [Applause.]

DIVIDEND NOTICES

CHRYSLER DODGE Chrysler Corporation DE SOTO PLYMOUTH

NOW MAKING WAR PRODUCTS

DIVIDEND ON COMMON STOCK

The directors of Chrysler Corporation have declared a dividend of seventy-five cents ($.75) per share on the outstanding common stock, payable September 14, 1945, to stockholders of record at the close of business August 20, 1945.

B. E. HUTCHINSON
Chairman, Finance Committee

THE BUCKEYE PIPE LINE COMPANY
30 Broad Street
New York, July 30, 1945.

The Board of Directors of this Company has this day declared a dividend of Twenty (20) Cents per share on the capital stock without par value, payable September 15, 1945, to shareholders of record at the close of business August 24, 1945.

C. O. BELL, Secretary.

LIQUIDATION NOTICE

The Farmers & Merchants National Bank of Eureka, located at Eureka in the State of Nevada, is closing its affairs. All note holders and other creditors of the association are therefore hereby notified to present the notes and other claims for payment.

Dated: June 16, 1945.

C. L. TOBIN, Cashier.

Resistoflex Corporation
Common Stock

*Prospectus upon request*

HERRICK, WADDELL & CO., INC.
55 LIBERTY STREET, NEW YORK 5, N. Y.

# The Securities Salesman's Corner

By JOHN DUTTON

There is no absolute test of the pulling power of advertising before it is used. But there are some (sure fire) ways to waste money on both direct mail and newspaper advertising IF YOU DON'T USE THE RIGHT "FOLLOW UP" PROCEDURES.

Just last week we were shown a collection of several thousand cards—names of people who had replied to direct mail advertising. The firm that had these names spent a small fortune in direct mail advertising—all they had to show for it was a modicum of business AND A COLLECTION OF NAMES. Such names are not leads. They are not leads because they were not followed up within a few days after the request for the booklet, which the firm offered in its mail campaign, was received. LEADS SHOULD BE FOLLOWED UP WITHIN A WEEK AT THE LONGEST—otherwise they lose their effectiveness. After several weeks, or a month, goes by, the chances of securing a favorable interview diminish rapidly.

Another point that is overlooked in following up leads is that many salesmen fail to qualify their prospects properly. There is always a certain percentage of curiosity seekers, or people who have such a small amount of business to offer that it just doesn't pay a salesman to waste time on them. In this particular instance, this firm had poured thousands of letters into Uncle Sam's mails offering a handy record book for keeping track of security holdings. Lists of all types of security holders were used The percentage of return averaged very low, but huge mailings brought in the large number of replies. To add to the initial expense involved, the booklet itself was also quite expensive.

At the time this campaign was conducted the firm had about ten salesmen. Today they have three—and they are a lot better off. The salesmen they now have calling on leads are not only qualifying customers, but they are working. Formerly, some of their salesmen would visit a prospect who had replied to the mail campaign and they would deliver the book that was requested. Then WITHOUT GOING INTO THE VALUE OF SUCH A RECORD, AND WITHOUT STRESSING THE IMPORTANCE OF SUPERVISED INVESTMENT ASSISTANCE THAT THEIR FIRM WAS ABLE TO CONTINUOUSLY PROVIDE FOR THEIR CLIENTS, they made another offer. THEY OFFERED TO SUPPLY STATISTICAL REPORTS ON THE PROSPECT'S HOLDINGS. They **gave away plenty**, they made this valuable service too easy to procure; **they made the whole idea too cheap.** As a result the firm was busy sending out statistical reports, spending money right and left, and the only ones who had a good time were the prospects; EVEN THE SALESMEN GOT TIRED OF THE WHOLE IDEA. They finally began to knock the entire plan, they said it wasn't any good.

The plan is good. It is being proven so today. But now it is used properly. One more thing the new sales-manager did when he cleaned out this sales organization. He also cut down on the volume of his mailings, BUT HE IMPROVED THE QUALITY OF HIS LISTS. This idea of sending out thousands of names from old lists where replies contain a large percentage of deadheads, is not only a waste of valuable printing, stationery and postage—BUT IT IS ALSO A WASTE OF A VALUABLE SALESMAN'S TIME.

Another good tip—this firm now uses the reports of a large national statistical agency, but when a request for these reports is brought in by the salesman THEY ARE RETYPED UPON SPECIAL STATIONERY WHICH CARRIES THE FIRM'S NAME AT THE TOP, WITH CREDIT GIVEN TO THE AGENCY THAT PREPARED THEM IN SMALL PRINT AT THE BOTTOM OF THE PAGE. This way the prospect see's the advertising of the dealer instead of the statistical agency. Incidentally, sales have picked up since the shakeup in this firm's sales organization was made a few months ago. One of their salesman who knows his business told us, "I want five leads, if two of the leads will qualify, I'll sell one!" That's 20% average on calls—even a 10% average is excellent.

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# Public Utility Securities

(Continued from page 734)

and it is these metals which are the most unstable and hence more suitable for disintegration. It is a little doubtful whether lead could be used since it appears to be an "end product" of the unstable heavier elements. Secretary Stimson has hinted that research with other elements than uranium has been undertaken, but no commercial results were obtained as yet.

The section of the utility industry which may be most "vulnerable" might be the gas producing and distributing companies, including the pipe lines. However, natural gas is extremely cheap and plentiful. The use of gas for wholesale industrial use, for heating boilers, etc. (now largely prohibited by conservation measures) might be restored since it would no longer be so essential to save our gas resources. Manufactured gas, usually more expensive than natural gas, might face difficulties.

A more immediate effect may be the increased reluctance of Congress to authorize huge expenditures for new hydro-electric developments, under the guise of navigation improvement, flood control, "social improvement of backward areas," etc. The huge dams and power facilities might become "white elephants" in the new era. Congress, in any event, will apparently control the commercial development of the new power-source if and when it is commercialized.

# Calendar Of New Security Flotations

## NEW FILINGS

**List of issues whose registration statements were filed less than twenty days ago, grouped according to dates on which registration statements will in normal course become effective, unless accelerated at the discretion of the SEC.**

### SATURDAY, AUG. 18

**J. J. NEWBERRY CO.** on July 30 filed a registration statement for 100,000 shares of preferred stock (par $100). The dividend rate will be filed by amendment.

**Details**—See issue of Aug. 2.

**Offering**—The price to the public will be filed by amendment. The underwriters are expected to offer to holders of the 50,986 shares of Series A 5% preferred stock an opportunity to exchange such shares for the new preferred stock on a share for share basis with adjustments. Public offering of the unexchanged portion of the issue will be made.

**Underwriters**—Kidder, Peabody & Co. heads the underwriting group.

**CENTRAL ELECTRIC & GAS CO.** on July 30 registered 65,000 shares of 4.75% cumulative preferred stock, Series A, par $50.

**Details**—See issue of Aug. 2.

**Offering**—The company will offer the new 4.75% preferred in exchange for its presently outstanding 6% cumulative preferred stock on a share for share basis. The unissued shares will be sold to the underwriters who will offer them to the public at a price to be filed by amendment.

**Underwriters** — The underwriting group is headed by Paine, Webber, Jackson & Curtis and Loewi & Co.

**MOHAWK PETROLEUM CORP.** has filed a registration statement for 120,000 shares of common stock ($1 par). The shares are issued and outstanding and are being sold for the account of certain stockholders.

**Details**—See issue of Aug. 9.

**Offering**—The price to the public will be filed by amendment.

**Underwriters**—Blyth & Co., Inc.

### SUNDAY, AUG. 19

**ALLIED STORES CORP.** has filed a registration statement for 200,000 shares of cumulative preferred stock, par $100. The dividend rate will be filed by amendment.

**Details**—See issue of Aug. 9.

**Offering**—The offering price to the public will be filed by amendment. It is expected that arrangements will be made with the underwriters whereby holders of the company's outstanding 5% preferred, par $100, will be afforded an opportunity to purchase the new stock by tendering their old stock in payment for the new.

**Underwriters**—The underwriting group is headed by Lehman Brothers.

### MONDAY, AUG. 20

**COLONIAL STORES INC.** has filed a registration statement for 60,000 shares of cumulative preferred stock, 4% series, par $50.

**Details**—See issue of Aug. 9.

**Offering**—The company is offering to the holders of its 52,478 shares of 5% cumulative preferred the privilege of exchanging such shares for new shares on a share for share basis plus a cash payment. Any shares of the new preferred not issued under the exchange offer plus the 7,522 additional shares will be sold to the underwriters to be offered to the public at a price to be filed by amendment.

**Underwriters**—The underwriting group is headed by Hemphill, Noyes & Co., First Boston Corp. and Kidder, Peabody & Co.

### TUESDAY, AUG. 21

**HOUDAILLE-HERSHEY CORP.** has filed a registration statement for $6,000,000 sinking fund debentures, due Sept. 1, 1960, and 190,000 shares of $2.25 cumulative convertible preferred, par $50.

**Details**—See issue of Aug. 9.

**Offering**—The public offering price of the debentures will be filed by amendment. Of the 190,000 shares of $2.25 preferred, 173,500 shares are to be offered by the company in exchange, on a share for share basis plus a payment of $5 a share to the company and with a cash adjustment of dividends; to holders of its outstanding Class A no par value stock. The remaining 16,500 shares and the unexchanged shares will be sold to the underwriters and offered to the public at a price to be filed by amendment. The $5 represents the difference betwen the par value of the new stock and the $45 redemption value of the Class A stock.

**Underwriters**—The underwriting group is headed by Paul H. Davis & Co. and Union Securities Co.

**INTERNATIONAL FURNITURE CO.** has filed a registration statement for $1,000,000 12-year 5% convertible sinking fund debentures, due Aug. 1, 1957, and 100,000 shares of common stock, par $1. The common shares are issued and are being sold for the account of Philip W. Pelts, who is described as president and sole share holder of the company.

**Details**—See issue of Aug. 9.

**Offering**—The public offering price of the debentures is 100 and of the common stock $8.25 per share.

**Underwriters**—Straus & Blosser, Chicago, is named principal underwriter.

**CHICAGO CONSUMERS COOPERATIVE, INC.,** has filed a registration statement for 17,500 shares of common stock, par $20.

**Details**—See issue of Aug. 9.

**Offering**—The price is $20 per share.

**Underwriters** — No underwriting. Sales will be conducted by members and officers to prospective members.

### THURSDAY, AUG. 23

**LANE BRYANT, INC.,** has filed a registration statement for 42,526 shares of 4½% cumulative convertible preferred stock (par $50) and 70,876 shares of common to be reserved for conversion of the preferred.

**Details**—See issue of Aug. 9.

**Offering**—The company is offering 12,312 shares of the new preferred in exchange for 7% preferred outstanding on the basis of two shares of 4½% preferred for one of 7% preferred with a cash adjustment on dividends. The balance will be offered to holders of common stock at the rate of one share of preferred for each six shares of common. The subscription price will be filed by amendment. Although all of the 42,526 shares are to be offered to common stockholders, the holders of 73,872 shares of common waived their preemptive rights in order to permit the exchange offer to preferred stockholders.

**Underwriters** — Merrill Lynch, Pierce, Fenner & Beane is the principal underwriter.

**ARIZONA POWER CO.** has filed a registration statement for 12,000 shares of 5% cumulative preferred stock, par $100. The shares constitute all of the issued and outstanding preferred shares and are being sold by James C. Tucker, President and Director, the founder of the company.

**Details**—See issue of Aug. 9.

**Offering**—The price to the public will be filed by amendment.

**Underwriters**—Central Republic Co., Inc., heads the underwriting group.

### SATURDAY, AUG. 25

**CONSOLIDATED BISCUIT CO.** has filed a registration statement for 60,000 shares 4½% convertible cumulative preferred stock, par $20.

**Details**—See issue of Aug. 9.

**Offering**—The offering price to the public is $20 per share.

**Underwriters**—The principal underwriters are F. S. Yantis & Co., Inc., and Dempsey & Co., both of Chicago.

### MONDAY AUG. 27

**SUN-KRAFT, INC.** has filed a registration statement for 100,000 shares of 30-cent cumulative convertible preferred stock and 200,000 shares of common reserved for conversion of the preferred.

**Business**—Principal product sold by the company is the Sun-Kraft ultraviolet generator designed primarily for home use.

**Offering**—The price to the public is $5 per share. In addition to the 90,000 shares which are to be offered to the public, 10,000 shares of the preferred are to be issued by the company to the estate of Eben D. Norton in exchange for 100,000 shares of common stock owned by the estate. These 100,000 shares of common are to be retired and cancelled.

**Proceeds**—Net proceeds to the extent of $110,000 will be applied to the redemption of outstanding class A stock and the balance will be used for general corporate purposes.

**Underwriters**—Floyd D. Cerf Co. is named principal underwriter.

**Registration Statement** No. 2-5857. Form S-1. (8-8-45).

**BROCKWAY GLASS CO., INC.,** has filed a registration statement for 10,000 shares of 5% cumulative preferred stock, par $50.

**Address**—1947 Seventh Avenue, Brockway, Pa.

**Business**—Manufacture and sale of general line of glass containers.

**Offering**—The price to the public is $50 per share. The company will offer the securities to the residents of the City of Muskogee, Okla., and others who are interested in the establishment of a glass plant by the company at Muskogee, as well as to persons living in the vicinity of Brockway, Pa.

**Proceeds**—The proceeds will be used to purchase land and buildings at Muskogee, the machinery and equipment in the plant and for repairs and for additional working capital.

**Underwriters** — There are no underwriters.

**Registration Statement** No. 2-5858. Form S-2. (8-8-45).

### TUESDAY AUG. 28

**CELOTEX CORP.** has filed a registration statement for $5,000,000 15-year 3¼% debentures and 100,000 shares of 5% cumulative preferred stock, par $20. The offerings of the debentures and preferred stock are independent offerings, which may but need not be made concurrently.

**Address**—120 South LaSalle Street, Chicago, Ill.

**Business**—Building material business.

**Offering**—The public offering price of the debentures and preferred stock will be filed by amendment.

**Proceeds**—The net cash proceeds from the sale of the debentures and preferred stock will be used to redeem the outstanding 12-year 3¾% debentures due July 1, 1945, at 102½ and the balance added to the general funds of the company. As of April 30, 1945, there were $2,757,000 of the 3¾% debentures outstanding. The company has in contemplation plans for the modernization, expansion and acquisition of manufacturing and mining facilities, which it is expected will reduce costs, provide for new developments, increase production of existing and new products and improve working conditions to enable the company to meet anticipated post-war requirements.

**Underwriters**—Paul H. Davis & Co., Chicago, heads the underwriting group, with names of others to be filed by amendment.

**Registration Statement** No. 2-5859. Form S-1. (8-9-45).

**JEFFERSON LAKE SULPHUR CO., INC.,** has filed a registration statement for 167,000 shares of common stock, $1 par.

**Address**—1408 Whitney Building, New Orleans, La.

**Business**—Production and sale of crude sulphur.

**Offering**—The company is offering to the holders of its common stock of record on Sept. 3, 1945, the right to subscribe at $9.75 per share for additional shares on the basis of seven-tenths of one share for each share held. Subject to the prior rights of holders of subscription warrants, officers of the corporation, who are not directors, and employees will be entitled to subscribe to 21,287 shares at $9.75 per share.

**Proceeds**—Net proceeds with treasury funds will be used to complete a surplus plant at Long Point Dome, Fort Bend County, Texas; for construction of a carbon-black plant at Clemens Dome, Texas; for the development of mineral properties at Manhattan, Nev., and balance for working capital.

**Underwriters**—D'Antoni & Co., New Orleans, is the principal underwriter.

**Registration Statement** No. 2-5860. Form A-2. (8-9-45).

### WEDNESDAY AUG. 29

**STANDARD FORGINGS CORP.** has filed a registration statement for 120,000 shares of common stock, par $1. The shares are issued and outstanding and are being sold by certain stockholders.

**Address** — 80 East Jackson Boulevard, Chicago, Ill.

**Business**—Manufactures carbon and alloy steel forgings.

**Offering**—The price to the public will be filed by amendment.

**Proceeds**—The proceeds to go to the selling stockholders.

**Underwriters**—Shields & Co., Chicago, heads the underwriting group.

**Registration Statement** No. 2-5861. Form S-2. (8/10/45).

**CENTRAL HUDSON GAS & ELECTRIC CORP.** has filed a registration statement for 445,738 shares of common stock. The shares are issued and outstanding and are owned by Niagara Hudson Power Corp.

**Address** — South Road, Poughkeepsie, N. Y.

**Business**—Public utility.

**Offering**—The shares are to be sold at competitive bidding and the price to the public will be filed by amendment.

**Proceeds**—The proceeds from the sale of Central Hudson common stock together with the proceeds from proposed sale by Niagara Hudson of its holdings of 41,515 shares of preferred stock in Central New York Power Corporation, 201,500 shares of common of Consolidated Edison Co. of New York, proceeds from a bank loan of $40,000,000 together with treasury funds will be used by Niagara to make a contribution to its subsidiary, Buffalo, Niagara & Eastern Power Corp., in the amount of $63,000,000 to be applied to the retirement of the latter's $1.60 cumulative preferred stock.

**Underwriters**—To be filed by amendment.

**Registration Statement** No. 2-5862. Form S-1. (8/10/45).

**ASHLAND OIL & REFINING CO.** has filed a registration statement for $5,000,000 20-year 3% sinking fund debentures due 1965.

**Business**—Oil and gas.

**Offering**—The price to the public will be filed by amendment.

**Proceeds**—The net proceeds will be applied in part to the prepayment at 103¾ of the $3,750,000 3¾% promissory notes held by the Equitable Life Assurance Society of the United States requiring $3,890,625, and the balance will be added to the company's general funds.

**Underwriters**—The underwriting group is headed by A. G. Becker & Co., Inc., of Chicago.

**Registration Statement** No. 2-5863. Form S-1. (8/10/45).

### THURSDAY AUG. 30

**CONSUMERS POWER CO.** filed a registration statement for $113,825,000 first mortgage bonds series due 1975. The bonds will be sold at competitive bidding and the interest rate will be named by the successful bidder.

**Address**—212 Michigan Avenue, West, Jackson, Mich.

**Business**—Public utility.

**Offering**—The price to the public will be filed by amendment.

**Proceeds**—The proceeds from the sale of the bonds, with a $15,000,000 bank loan and approximately $12,000,000 of treasury funds will be used to retire outstanding bonds and 191,924 shares of $5 preferred stock which, with premiums, will require $140,803,720. The company does not propose to retire its 547,788 shares of outstanding $4.50 preferred stock. The company will retire a total of $113,825,000 outstanding first mortgage bonds as follows: at 103½, $18,925,000 3½% series due 1965; at 106½, $55,153,000 3½% series due 1970; at 105¼, $21,832,000 3¼% series due 1966, and at 108, $17,915,000 3¼% series due 1969. The $5 preferred stock will be redeemed at $105 per share.

**Underwriters**—The names will be filed by amendment.

**Registration Statement** No. 2-5864. Form S-1. (8/11/45).

**GENERAL MILLS, INC.,** has filed a registration statement for 100,000 shares of cumulative convertible preferred stock, par $100. The dividend rate will be filed by amendment.

**Address** — 200 Chamber of Commerce Building, Minneapolis, Minn.

**Business**—Production of flour, package foods and feeds.

**Offering**—The company proposes to issue warrants to common stockholders of record Sept. 7, 1945, to subscribe at the rate of one share of the new convertible preferred for each 20 shares of common stock at a price to be filed by amendment. Warrents will expire at 3 p.m. Sept. 19, 1945.

**Proceeds**—Proceeds will be added to the company's general corporate funds and used, among other things, to finance future plant expansions. Proceeds also may be used to increase working capital.

**Underwriters** — The underwriters are Dillon, Read & Co., Inc., Allison-Williams Co., C. S. Ashmun, Cadwell Phillips Co., J. M. Dain & Co., Frank & Belden, Inc., Goldman, Sachs & Co., Hemphill, Noyes & Co., Kalman & Co., Inc., Kuhn, Loeb & Co., W. C. Langley & Co., Lee Higginson Corporation, Merrill Lynch, Pierce, Fenner & Beane, Park-Shaughnessy & Co., Piper, Jaffray & Hopwood, L. F. Rothschild & Co., Smith, Barney & Co., Union Securities Corporation, Watling, Lerchen & Co., Dean Witter & Co., Harold E. Wood & Co., ano Woodard-Elwood & Co.

**Registration Statement** No. 2-5866. Form S-1. (8/11/45).

### SATURDAY SEPT. 1

**FABRICON PRODUCTS, INC.,** has filed a registration statement for 28,960 shares of common stock, $5 par value. The shares are issued and outstanding and are being sold by five stockholders, including 18,960 shares by Lawrence O. Turner, President of the company.

**Address**—1721 Pleasant Avenue, West, River Rouge, Mich.

**Business**—Trim foundation panels, deadener felt and other fibre products for the automobile industry, wrapping materials, etc.

**Offering**—The price to the public is $25 per share.

**Proceeds**—The proceeds go to the selling stockholders.

**Underwriters**—Baker, Simonds & Co., Detroit, Mich.

**Registration Statement** No. 2-5867. Form S-1. (8-13-45).

**VALLEY OSAGE OIL CO.** has filed a registration statement for 143,659 shares of class A stock. Of the shares registered 113,468 are being sold by the registrant and 30,191 shares are issued and outstanding and are being sold on behalf of the Thomas Gilcrease Foundation.

**Address**—102 West Crockett Street, San Antonio, Texas.

**Business**—Oil business.

**Offering**—The price to the public is $12.50 per share.

**Proceeds**—The proceeds to be received by the company will be used to acquire new leases and oil properties, exploration and development work, etc.

**Underwriters**—The underwriter is Gilcrease Oil Co. of Texas, 165 Broadway, New York, N. Y.

**Registration Statement** No. 2-5868. Form S-2. (8-13-45).

## DATES OF OFFERING UNDETERMINED

**We present below a list of issues whose registration statements were filed twenty days or more ago, but whose offering dates have not been determined or are unknown to us.**

**ACF-BRILL MOTORS CO.** on June 30 filed a registration statement for 190,464½ warrants. The warrants are issued and outstanding and are being sold by American Car & Foundry Investment Corp.

**Details**—See issue of July 12.

**Offering**—The warrants entitle the holder to subscribe to the common stock of the company. The selling stockholder, American Car & Foundry Investment Corporation, proposes to offer the warrants for sale to the public commencing approximately Aug. 1, 1945, with the price to be determined from day to day by market sales of the warrants.

**Underwriters**—None mentioned.

**AMERICAN ENGINEERING CO.** on Feb 27 filed a registration statement for $3,000,000 5% 15-year sinking fund debentures due 1960 and 200,000 shares of common stock. Of the stock registered 132,000 shares are issued and outstanding and being sold by stockholders.

**Details**—See issue of March 8.

**Offering**—The debentures will be offered at 100 and the common stock at $7.50 per share

**Underwriters**—Van Alstyne, Noel & Co heads the underwriting group, with the names of others to be supplied by amendment.

**Registration Statement** withdrawn Aug. 3.

**ANCHORAGE HOMES, INC.** on July 17 filed a registration statement for 505,000 shares of Class A capital stock, par $1 and 250,000 shares of Class B stock, par 10 cents.

**Details**—See issue of July 26.

**Offering**—There is to be presently offered to the public 250,000 shares of Class A and 50,000 shares Class B to be offered in units of 10 shares of Class A and 2 shares of Class B at a price of $60.20 per unit.

**Underwriters**—Andre de Saint-Phalle & Co., heads the underwriting group.

**BROOKLYN BOROUGH GAS CO.** on July 10 filed a registration statement for $3,640,000 first mortgage bonds due Aug. 1, 1970. The interest rate will be filed by amendment.

**Details**—See issue of July 19.

**Offering**—The price to the public will be filed by amendment.

**Underwriters**—The bonds will be offered for sale at competitive bidding and the names of underwriters filed by amendment.

**BROOKLYN BOROUGH GAS CO.** July 11 filed a registration statement for 15,000 shares cumulative preferred stock. The stock will be sold at competitive bidding and the dividend rate filed by amendment.

**Details**—See issue of July 19.

**Offering**—Price to public to be filed by amendment.

**Underwriters**—To be filed by amendment.

**CENTRAL OHIO LIGHT & POWER CO.** on Dec. 28 filed a registration statement for 11,972 shares of preferred stock, cumulative ($100 par). The dividend rate will be filed by amendment.

**Details**—See issue of Jan. 4, 1945.

**Offering**—Company proposes to invite proposals for services to be rendered to it in obtaining acceptances of the exchange offer of new preferred stock for old preferred and for the purchase from it of such of the 11,972 shares as are not exchanged pursuant to the exchange offer.

**COMMERCIAL CREDIT CO.** on June 7 filed a registration statement for 250,000 shares of preferred stock ($100 par). Dividend rate will be filed by amendment.

**Details**—See issue of June 14.

**Offering**—Company is offering the holders of the 121,938 shares of 4¼% cumulative convertible preferred stock to exchange their stock, share for share, for the new preferred. The underwriters have agreed to purchase any of the 250,000 shares of preferred not issued in exchange for outstanding preferred. Company will call any of the old preferred at $105 per share plus accrued dividends.

**Underwriters** —Kidder, Peabody & Co. and First Boston Corp. are named principal underwriters.

**CONTAINER ENGINEERING CO.** on June 15 filed a registration statement for 25,000 shares common stock (par $10).

**Details**—See issue of June 21.

**Offering**—Price to the public is given as $35 per share.

**Underwriters**—William L. Ullrich, St. Louis, will manage the sale of the entire issue.

**COVENTRY GOLD MINES, LTD.** on April 21 filed a registration statement for 333,333 shares of common stock.

**Details**—See issue of April 26.

**Offering**—Price to the public is 30 cents per share.

**Underwriters**—None named. The company proposes to market its own securities.

**CUDAHY PACKING CO.** on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock ($10 par). The dividend rate will be filed by amendment.

**Details**—See issue of Aug. 2.

**Offering**—Holders of the 85,505 outstanding shares of 6% and 7% cumulative preferred stock may exchange their stock on a share for share basis for the new preferred, with a cash adjustment. Shares of the new stock not issued under the exchange offer together with the remaining 14,495 shares are to be sold to underwriters. The public offering price will be filed by amendment.

**Underwriters**—Goldman, Sachs & Co. is named principal underwriter.

**EVERSHARP, INC.,** on July 9 filed a registration statement for 32,500 shares of common stock, par $1. Shares are issued and outstanding and are being sold for the account of certain stockholders.

**Details**—See issue of July 19.

**Offering**—The price to the public will be filed by amendment.

**Underwriters**—Lehman Brothers heads the underwriting group.

**GASPE OIL VENTURES, LTD.,** on May 8 filed a registration statement for 1,500,000 shares of common stock ($1 par) and 200,000 common share purchase warrants and 200,000 shares of common reserved for warrants.

**Details**—See issue of May 17.

**Business**—Exploration and development of oil wells.

**Offering**—Price to the public is 60 cents per share. The underwriter will receive purchase wararnts for the purchase of 2,000 shares of common for each 15.000 shares of common stock sold in the offering at a price of 45 cents per share.

**Underwriter**—Tellier & Co.

**HAMILTON RADIO CORP.** on July 27 filed a registration statement for 150,000 shares of its common stock, par $1, of which 100,000 shares are to be offered presently to the public and 50,000 shares reserved for the conversion of warrants, and 50,000 common stock purchase warrants.

**Details**—See issue of Aug. 2.

**Offering**—The common stock is being offered to the public at $5.75 per share. The common stock warrants entitle holder to purchase shares at $5.75 per share before Aug. 1, 1950. The company proposes to sell 30,000 of the warrants to underwriters, 15,000 to Adolphe A. Juviler, President and Treasurer, and 5,000 to Percy L. Schoenen, Vice President and Secretary, at 10 cents each.

**Underwriters**—Van Alstyne, Noel & Co. is principal underwriter.

**MARICOPA RESERVOIR & POWER CO.** on June 29 filed a registration statement for $3,343,500 4% income debentures due May 1, 1970, and $4,458 shares of common stock, no par.

**Details**—See issue of July 5.

**Offering**—Company is offering, to holders of $3,343,500 3% income bonds due Oct. 1, 1959, units consisting of $750 of 4% income bonds and one share of its common stock, in exchange for each $750 outstanding income bond, in connection with the plan of reorganization.

**Underwriters**—The Dunne-Israel Co.

**MONONGAHELA POWER CO.** on June 30 filed a registration statement for $22,000,000 first mortgage bonds, due 1975, and 90,000 shares of cumulative preferred stock, par $100. The interest and dividend rates will be filed by amendment.

**Details**—See issue of July 12.

**Underwriters**—The names of underwriters will be filed by amendment.

**Bids Invited**—Company is inviting bids for the purchase of the bonds and stock.

Bids will be received up to 12 noon (EWT) on Aug. 22 at 50 Broad Street, New York City, the interest rate and dividend rate to be specified in the bids.

**MONTANA-DAKOTA UTILITIES CO.** on July 25 filed a registration statement for 223,351 4-6 shares of common stock (par $5).

**Details**—See issue of Aug. 2.

**Offering**—Price to the public will be filed by amendment.

**Underwriters**—To be filed by amendment.

**NEW YORK STATE ELECTRIC & GAS CORP.** on June 27 filed a registration statement for $10,000,000 first mortgage bonds, due 1973, and 150,000 shares of cumulative preferred stock. Interest rate on bonds and dividend rate on preferred stock will be determined by competitive bidding.

**Details**—See issue of July 5.

**Offering**—Price to public will be filed by amendment.

**Underwriters**—Stock and bonds will be sold at competitive bidding and names of underwriters will be filed by amendment.

**Issue Disapproved**—The New York P. S. Commission on July 30 disapproved of the proposed refinancing.

**Registration Statement** withdrawn Aug. 4.

**NOMA ELECTRIC CORP.** on July 26 filed a registration statement for 247,361 shares of common stock, par $1.

**Details**—See issue of Aug. 2.

**Underwriters**—None.

**Offering**—Company is offering its common stock to stockholders of Triumph Industries, Inc., formerly known as Triumph Explosives, Inc., on the basis of two shares of Triumph common, $2 par, for one share of Noma. Ansonia Electrical Co., a wholly-owned subsidiary of Noma, owns 200,000 shares of the common stock of Triumph. The offer of Noma is conditioned upon the acceptance of the offer by the holders of at least 80% of the stock of Triumph within the time period designated. The result of the exchange offer, when effective, will be to convert Triumph into a controlled subsidiary of Noma as of July 31, 1945, notwithstanding the fact that the exchange offer will not be consummated until a later date, the statement said. Assuming all of the shares of Triumph are exchanged pursuant to the order the shares of Triumph will be recorded on the books of the company at $3,626,682. Triumph has 494,722 shares of common stock outstanding.

**O. K. CO-OP RUBBER WELDING SYSTEM** on June 12 filed a registration statement for 500 shares, par value $1,000 designated as "participating members shares" and 800 units of $500 each of preferred 7% debenture certificates.

**Details**—See issue of June 21.

**Offering**—The securities are to be sold at their par or face value to the owners and operators of O K Tire Servicing Stores and to employees, customers and suppliers of the trust and of the several businesses being acquired by the trust.

**Underwriting**—None named.

**PACIFIC GAS & ELECTRIC CO.** on May 4 filed a registration statement for 700,000 shares of common stock (par $25). The shares are owned by the North American Co. which is offering them.

**Details**—See issue of May 10.

**Awarded** May 22 to Blyth & Co., Inc. at $36.76 7/10 per share.

The SEC on May 23 refused to approve the bid, stating that competition had "been stifled."

**POTOMAC EDISON CO.** on April 19 filed a registration statement for 63,784 shares of 4½% preferred stock (par $100).

**Details**—See issue of April 26.

**Offering**—The company will offer the 63,784 shares of preferred stock in exchange for the 29.182 shares of 7% and 34,602 shares of 6% preferred stock now outstanding on a share for share basis with a dividend adjustment in each case and $5 in cash for each share of 7% preferred stock exchanged.

**Underwriters** — The company has retained Alex. Brown & Sons as dealer-manager to aid it in obtaining acceptances of the exchange offer.

**PUBLICKER INDUSTRIES INC.** on July 28 filed a registration statement for 100,000 shares of cumulative preferred stock (no par). The dividend rate will be filed by amendment.

**Details**—See issue of Aug. 2.

**Offering**—The offering price to the public will be filed by amendment.

**Underwriters** — Merrill Lynch, Pierce, Fenner & Beane heads the underwriting group, with names of others to be filed by amendment.

**RED BANK OIL CO.** on May 31 filed a registration statement for 990,793 shares of common stock (par $1).

**Details**—See issue of June 7.

**Offering**—Of the shares registered Bennett & Co., Inc., parent of Red Bank, will receive 209,970 shares in return for a like number of shares loaned to the registrant in connection with the acquisition of 54% of the outstanding stock of Seatex Oil Co., Inc. In addition, 150,000 of the shares registered will be issued to stockholders of Federal Steel Products Corp. in exchange for all of Federal's stock. Bennett & Co., Inc., is the sole underwriter as to an additional 100,000 shares of common registered. The balance of 530,823 shares of stock being registered have heretofore been issued to Bennett & Co., Inc., in exchange for various obligations of the registrant.

**Underwriters** — Principal underwriter Bennett & Co., Inc., Dallas, Texas.

**ROBERTS TOWING COMPANY** on July 11 filed a registration statement for $500,000 serial 4½% equipment trust certificates.

**Details**—See issue of July 19.

**Offering**—The price to the public of the different series will be filed by amendment. The average price to the public is given as 100.47.

**Underwriters**—S. K. Cunningham, Inc., Pittsburgh, and John Nordman Co., St. Louis, Mo.

**ROCKLAND GAS CO., INC.,** on July 26 filed a registration statement for 30,500 shares of common stock, (no par). The shares are issued and outstanding and do not represent new financing.

**Details**—See issue of Aug. 2.

**Offering**—The price to the public will be filed by amendment.

**Underwriters**—The principal underwriters are Butcher & Sherrerd, Putnam & Co., Chas. W. Scranton & Co., Battles & Co., Inc. and Southern Securities Corp.

**ST. JOSEPH LIGHT & POWER CO.** on Feb. 28 filed a registration statement for 13,056 shares of Class A 5% cumulative preferred stock, par $100.

**Details**—See issue of March 8.

**Offering—The company is offering 13,056 shares of its Class A 5% preferred shares in conversion share for share of the outstanding 5% cumulative preferred shares held by others than Cities Service Power & Light Co.**

**Underwriters—The company has retained Estabrook & Co., G. H. Walker & Co. and Prescott, Wright, Snider Co. as exchange agents to secure and procure consents of preferred shareholders to the conversion.**

**The company also proposes to refund the $4,806,000 first mortgage bonds, 4½% series due 1947 and to reduce the aggregate principal amount of its indebtedness to $3,750,000 by redeeming the outstanding bonds and issuing $3,750,000 of new bonds. The bonds will be sold at competitive bidding.**

**SEABOARD FINANCE CO.** on July 12 filed a registration statement for $3,000,000 5% 10-year sinking fund debentures due Aug. 1, 1955, and 70,000 shares cumulative preferred stock, series A, with common stock purchase warrants.

**Details**—See issue of July 19.

**Offering**—The price to the public is 100 for the debentures and $30 per share for the preferred.

**Underwriters**—The underwriting group is headed by Van Alstyne, Noel & Co., and Johnson, Lemon & Co.

**SOLAR MANUFACTURING CORP.** on July 23 filed a registration statement for $1,500,000 5% 15-year sinking fund debentures due Aug. 1, 1960; five-year common stock purchase warrants to purchase 57,500 shares and a like amount of common shares issuable upon the exercise of the warrants. The company proposes to sell the debentures plus 20,000 warrants to an underwriting group headed by Van Alstyne, Noel & Co. Each $1,000 debenture will have attached a non-detachable warrant entitling the holders to purchase 25 shares of common.

**Details**—See issue of July 26.

**Offering**—The price per unit to the public will be 100.

**Underwriters**—Van Alstyne, Noel & Co. heads the underwriting group.

**SOUTHWESTERN ELECTRIC SERVICE CO.** April 18 filed a registration statement for $2,375,000 first mortgage bonds, 3⅜% series due 1975; 8,500 shares 4¾% cumulative preferred stock (par $100) and 128,935 shares of common (par $1).

Through amendment filed Aug. 9 the amounts were changed to $1,550,000 bonds, 10,150 shares of preferred and 161,180 common shares (to be offered at $9.50 per share).

**Details**—See issue of April 26.

**Offering** — Holders of the outstanding common stock of Southwestern Public Service Co. will be given the right to subscribe to the 128,935 shares of common at the rate of one share of common of Southwestern Electric for each five shares of common of Southwestern Public Service. The subscription price will be filed by amendment. The public offering price of any unsubscribed common and of the bonds and preferred stock will be filed by amendment.

**Underwriters**—To be filed by amendment.

**Bids Invited**—Company is inviting bids to be received by Republic National Bank, 1309 Main Street, Dallas, Texas, up to 10 o'clock (CWT) Aug. 24 or by company at 30 Broad Street, New York, up to 11 o'clock (EWT) the same day, for the purchase of $1,550,000 first mortgage bonds. Bids for the purchase of 10,150 shares of preferred stock will also be received at the same time and places.

**UNIVERSAL CAMERA CORP.** on March 19 filed a registration statement for 663,500 shares Class A common stock, par value one cent a share, with Class A common stock purchase warrants. Of the total 530,500 are issued and outstanding and are being sold by certain stockholders.

**Details**—See issue of March 29.

**Offering**—The initial offering price is $5 per share. Of the 133,000 shares being offered for account of company, 20,000 are to be offered to employees at $4.25 per share. Shares not subscribed for by employees will be sold to public through underwriters along with the rest of the public offering. For every ten shares of common stock bought, purchasers, other than employees, will receive warrants to subscribe to one share of common stock, at $5 per share, on or before Dec. 31, 1948. Employees will receive such warrants for each five shares of common stock purchased.

**Underwriters** — **Floyd D. Cerf Co.** is named principal underwriter.

**Stop Order Action**—The SEC on June 29 dismissed the stop order proceedings commenced April 10, 1945. In its opinion the Commission said it is satisfied that the amendments subsequently filed by the company substantially correct the deficiencies cited in the notice of the proceeding except those relating to the warrants.

**VIRGINIA RED LAKE MINES, LTD.** on June 24 filed a registration statement for 220,000 shares of capital stock, par $1 (Canadian).

**Details**—See issue of Aug. 2.

**Offering**—The offering price to the public is 60½ cents Canadian or 55 cents United States funds.

**Underwriters**—Willis E. Burnside & Co., New York.

**WESTERN LIGHT & TELEPHONE CO., INC.** on July 27 filed a registration statement for $6,200,000 first mortgage bonds, Series A, due July 1, 1975. The interest rate will be filed by amendment.

**Details**—See issue of Aug. 2.

**Offering**—Price to the public will be filed by amendment, after the bonds are offered for sale at competitive bidding.

**Underwriters**—To be filed by amendment.

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# Full Employment And Government Spending

(Continued from first page)

and maximum employment in the United States.

Our most serious problem is to achieve a prosperous economy for all, and that means that all who really want to work should be able to get jobs and keep them. The question is: how we can do this and then hold it steady so that we don't have another depression with its hardship and suffering. It is easy to give everybody a job under the Communist system, but everyone has to take the job the Government gives him, and in Socialist countries up to this time the average job has not produced very much in the way of living according to American standards.

So I think we all agree that we can only get full employment on American standards by jobs in private enterprise. At best, Government payrolls could only put about 5,000,000 men to work, and we wish to employ more than 50,000,000. A 10% increase in private employment would produce as many jobs as the biggest possible increase through a public works program. This private enterprise system is a delicately built-up machine. We have to learn to adjust it, and oil it, and run it to full capacity and not throw monkey wrenches into it.

### The "Full Employment" Bill

The Wagner so-called Full Employment bill has two features, one good and one bad. It requires the President to give comprehensive planning and thought to our future economic condition, and sets up a joint committee of Congress to do the same thing for Congress. We know more about economic forces today than ever before, and we must apply that knowledge. We cannot afford to permit the recurrence of another depression in the United States.

The bad thing about the Wagner bill is that it regards unlimited public spending as the ultimate solution for every difficulty. The key policy in Section 2 (e) is the statement that "It is the responsibility of the Federal Government to provide such volume of Federal investment and expenditure as may be needed to assure continuing full employment," and then the President is required to recommend a program of Federal investment and expenditure sufficient to bring the aggregate volume of investment and expenditure by all, up to the level required to assure a full employment volume of production.

In the first place, it is very difficult to judge just what is the proper scale of economic activity. If we build up an abnormal condition with Federal money, that is inflation. Sooner or later it will blow up in our faces and bring about the very depression we are trying to avoid. In 1929 I was assured by some of the biggest business men that there was no inflation, that we were in a new era and we had solved the problems of prosperity. But we had not, and the reaction to inflation produced the worst depression we ever had. That was an inflation of private credit. The same thing can happen from an inflation of Government credit.

### Government Spending

Government spending leads to a constant increase in the public debt. That debt will be $320,000,000,000 by the end of the reconversion period. This program might increase it by $30,000,000,000 in a single year. It is easy to say that the Federal Government will spend money in hard times and not spend it in good times. Once the Federal Government develops a new line of activity it is not easy to stop it, and it goes on long after the need has disappeared. A deficit spending policy of $3,000,000,000 a year in the thirties did not produce prosperity or employment. This spending not only increases the debt, but it increases tremendously Federal centralized power, for if the Federal Government spends the money, it controls whatever private interests or local government is dependent on that money.

The economic machine cannot run on Federal money. It is an infinitely complex machine and its success depends on a lot of delicate adjustments unrelated to Federal spending. If you build too many office buildings, theaters and hotels as we did in the twenties, then you have none to build for 10 years thereafter, and there is a depression in the whole building industry. If too much money is spent on consumers' goods, then there is not enough capital to build new industries. If too much money is saved, there is not enough purchasing, or the construction of capital is overdone. Prices and wages must be kept in proper adjustment. If prices are too high, millions are unable to buy and all business activity falls off. If wages are too high compared to prices, there is no incentive on the part of anyone to start new businesses or take the risks of increased production. There are a dozen economic forces which may throw the whole machinery out of balance. Government spending has a place, but it is a minor place. We should spend more on public works in hard times and less in good times. But spending is only one factor, and not the most important factor. It is a dangerous drug. An overdose of it can destroy our commercial system and our democratic form of government.

I believe we should set up an Economic Planning Organization, but it ought to consider all possible factors and recognize that Government spending is a cure that may kill.

As far as immediate post-war employment of G. I.'s and war workers is concerned, this Wagner Full Employment machinery could not get going in time to accomplish anything anyway.

### Freedom to Individuals and Business

The most necessary and immediate step to restore prosperity is to restore freedom to individuals and business. You can't expect free enterprise to work unless it is free.

(a) We should force the OPA to adopt a much more liberal policy for the reconversion period, eliminating entirely non-essential articles, providing adequate prices for essential articles which will bring thousands of new small concerns into the business of manufacturing needed goods and providing employment. I believe that all controls should be removed from wages early in 1946.

(b) The WPB should be required to relax every control possible. They are inclined to do so, but are continually hampered by the unreasonable demands of the Army and Navy. Unless controls are relaxed we can never get started on new housing, farm machinery, reconversion machinery or hundreds of basic materials required if men are to be put to work when they come out of the Army. Incidentally, the British are months ahead of us in recon-

(c) The drafting of new men, and particularly men who are essential in industry reconversion as well as for war work between 26 and 30, should be immediately forbidden. The Army should be forced to release essential men, like the coal miners requested by Secretary Ickes. It is impossible to see how even 7,000,000 men can be used in the war against Japan, and we still have about 8,300,000. The Army actually spent $340,000,000 more in July than they spent in July, 1944. If millions are released in a few months when the Japanese war ends we face serious problems of unemployment and perhaps temporary depression.

(d) Most of the War Manpower regulations should be abolished so that anyone can get a job from anyone else, and the employment agencies should become service agencies under State control, coordinated by the Federal Government.

(e) The OWI and many other agencies should be abolished except to the extent that Nimitz and MacArthur want them for use against Japan.

(f) After some freedom of action is restored, the next essential step toward full employment is to enact a reconversion tax bill fixing definite reduced rates for the reconversion period. It is necessary that both individuals and corporations know at once what their taxes are going to be in 1947. The present estimate of a $46,280,000,000 deficit (which does not count $2,000,000,000 of subsidy payments and $1,800,000,000 of more lending by the Export-Import Bank) is discouraging and unnecessary. With those additions it is within $5,000,000,000 of the record deficit of last year, when we were conducting a two-front war.

### A Reconversion Budget

A reconversion budget should be formulated by Congress and should not exceed $20,000,000,000 a year in addition to the temporary aftermath-of-war expenses. If it goes to $25,000,000,000, as the spenders want, we can hardly allow any reduction in the present choking tax rates, and then you don't get more employment.

In the regular Federal budget we should allow for a coordinated program of public works. Highways are already provided for. But only those public works should be authorized which are economically justifiable for their own sake. The theory that public works are justified just because they make jobs, or that they afford any solution of serious unemployment, isn't so. We should arrange to go ahead with these public works when private activity falls off, and let up on public works when private activity is strong.

There are many other measures which should be studied to help create full employment. There has been so much money saved and there are so many unsatisfied demands that I look for reasonably full employment for five years after the war. There may be some dislocation for a short time, especially if the Army insists on its present policy, but our real danger will arise later on, from five to 10 years after the war. Only then can we tell whether we have learned enough about economic forces to prevent depressions. Now we certainly ought to go ahead with that feature of the Wagner bill which creates a Federal agency to put a brain into the overall economic activities of the Federal Government.

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# Chesapeake and Ohio Railway Advertises to Create Optimism

## Conducting a Campaign to Inform Public of Postwar Factors Which Will Create More Jobs. Technological Progress and Expansion in Ten Industries to Be Pictorially Portrayed.

Carl E. Newton, President of the Chesapeake and Ohio Railway, has just released an advertising schedule of his company in conjunction with its affiliated railroads, the Nickel Plate and the Pere Marquette, which aims to dispel the growing concern among workers that we may enter another period of unemployment after the war, and which will stress little known facts of the pent-up demand for civilian goods, and the tremendous technical progress being made by industry, both of which are bound to bolster employment to a degree that is difficult to overestimate. The first advertisement in the series appears elsewhere in this issue of the "Chronicle."

"It is our firm conviction," Mr. Newton tells the editor of the "Chronicle," "that if people could know what the post-war demand for goods will mean in terms of actual jobs; if they could know of the plans business management has for new products, better products, products at lower prices, and the vast number of jobs that these projects are sure to create, they would be optimistic rather than fearful."

"As an exhibit from just one geographical section," continues Mr. Newton, "the Cheaspeake and Ohio has undertaken to tell the people of this country something of what those industries located on its right-of-way are doing to provide post-war jobs. In the course of the campaign, it is our intention to cover ten industries: coal, glass, paper, steel, household appliances, agricultural machinery, packing, chemicals, automotive and food."

Programs such as the C. & O.'s, can do much to allay the "post-war jitters," which has been fanned almost constantly ever since the war started by frenzied discussions, prognostications and forecasts throughout the nation by all sorts and conditions of men.

These have been working toward creating a fear complex both among business men and employees. They have been responsible in part for the revolutionary economic proposals which, if continued and implemented, will eventually lead to the end of free enterprise and new private undertakings, and thus tend toward the creation of a socialistic political state and serfdom of the individual.

Mr. Newton is on the right track when he states that "it is our belief that one of the best ways to give the public confidence in business management and our American enterprise system is for management to demonstrate its interest in the post-war employment problem and its ability to provide a lot of post-war jobs."

If business management and workers proceed to the attack in the battles facing them in the post-war period as well as they took up the tasks of carrying on the war, there need be no fear of the future. But it requires many other public spirited industrialists and enterprisers of the type of Mr. Newton to come out strongly with evidence and proof of their ability and willingness to cope with post-war problems, and thus plant the seeds of optimism in the minds of the people to insure the continued development and expansion of American enterprise and accomplishments.

We need more preaching of better things to come! We already have too many Jeremiahs!

## Woolley Quits OPA

Daniel P. Wooley sent to Price Administrator Chester Bowles his resignation as Regional Administrator of the New York Office of Price Administration, the Associated Press reported from Washington, July 31, adding that Mr. Bowles had accepted the resignation, effective immediately.

Mr. Bowles appointed his special assistant, Leo F. Gentner, formerly Regional Administrator for the Pacific Coast, to be New York's Acting Regional Administrator. The Associated Press also stated that at the same time Mr. Bowles disclosed he had rejected a request for a "further hearing" submitted by Paul L. Ross, who was dropped by Mr. Woolley. Mr. Ross was in charge of enforcement for the regional office.

From the Associated Press we also quote:

In an exchange of correspondence, released by Mr. Bowles's office, Mr. Wooley told Mr. Bowles:

"At our last meeting on June 14 I asked that you consider relieving me of the responsibility of the position of Regional Administrator.

"Recent events have delayed the carrying out of that plan.

"However, I can appreciate your desire for the good of the region to have the matter settled."

In his letter of acceptance, Mr. Bowles said:

"When you first broached the question of your resignation some 60 days ago I urged you to stay on. On several occasions since you have reiterated your desire to resign. This letter will serve as my acceptance of it, effective immediately, as you have requested.

"I know how difficult it has been for you to go through with your plans to resign at this time. It is clear to me and to all who know you that your resignation is totally unconnected with any charges reflecting on your integrity which have recently appeared in the press.

"I am convinced that any such charges are without foundation, as I have full confidence in your integrity and personal honesty."

*Trading Markets in*

Bendix Home Appliances
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# NSTA Notes

### "40 Over 8"

Along with V-J announcement, we, members of the NSTA advertising committee, are very much pleased with results to date.

We urge members who are interested in the work done by this committee, to contact any one of the officers or district chairmen for our results.

We are far ahead of last year's final and we are certain the oficers and executives meeting at the end of this month in Mackinac, will recognize this year of 1945 the most successful year for the NSTA financially.

We have a little over two weeks open for those who still would be glad to be part of this campaign for advertising in the NSTA Supplement of the "Commercial and Financial Chronicle" so let's hear from you as soon as possible.

Due to conditions beyond our control we must postpone the tally results until next week.

**K.I.M. "40 Over 8"**—Harold B. Smith, Chairman NSTA Advertising Committee, Collin, Norton & Co., New York, N. Y.; A. W. Tryder, Vice-Chairman NSTA Advertising Committee, W. H. Newbold's Son & Co., Philadelphia.

## Calendar of Coming Events

**August 24, 1945—Cleveland Security Traders Association annual summer meeting at Manakiki Country Club.**

**August 28, 29 & 30, 1945—National Security Traders Association, Inc. annual business meeting and election of officers.**

*Specializing in Unlisted Securities*

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Jacob Ruppert
Majestic Radio
Du Mont Laboratories
U. S. Finishing

M. S. WIEN & Co.
*Members N. Y. Security Dealers Ass'n*
40 Exchange Pl., N. Y. 5 HA. 2-8780
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Worcester Trans. Assoc.

227,660 shares outstanding. Net income for first six months was reported at $120,878; an increase of approximately 28% over 1944.

Current Mkt. 10⅝-⅞
Yield About 7½%

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Average 5 yr. dividend per share.. .73
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# The COMMERCIAL and FINANCIAL CHRONICLE

Reg. U. S. Pat. Office

Volume 162 Number 4412 New York, N. Y., Thursday, August 16, 1945 Price 60 Cents a Copy

## The Financial Situation

Until last week, at any rate, no topic had so extensively engaged the attention of the public and, in a sense, of official Washington, as "reconversion," yet there is all too much reason to fear that the end of the war has caught the Government unprepared to do what it must do if industry is to do what is demanded of it during the months ahead. Nor can it be reasonably argued that the cessation of hostilities at this early date is a particularly great surprise—at least to those who have been guiding the affairs of the nation and who are and have been responsible for preparation for peace. Even if Japan had chosen to commit national hara kiri the struggle could not have continued many months longer, and in the circumstances avoidance of the ultimate in fanatical self-sacrifice has for some time appeared altogether too probable to be brushed aside.

### Government Tasks

The obligations resting upon the Federal Government are both specific and general. It may well be that the latter are in the long run more important than the former, but both are vital enough. The nature of the more specific tasks may be illustrated quite simply. Apart from demobilization of the men in the armed forces and problems immediately connected therewith, they for the most part have to do with the Government's own immediate and direct part in enabling business to reconvert promptly to peacetime operations. According to a report issued recently by the Securities and Exchange Commission, some 408 manufacturing corporations engaged in war production carried on their books at the end of 1944 taxes accrued on 1944 operations and payable to the Federal Government during 1945 in the amount of $3,625 million. On the same

(Continued an page 764)

## We Must Not, Indeed!

"A score of Fascist nations have shifted to Communism, and half a dozen nations once liberty-loving are shifting to Socialism. The most recent chapter is the Socialist victory in Britain.

Herbert Hoover

"Whatever the particular name of these European systems may be, whether it be Communism, Socialist or the decoy term, 'planned economy,' they are all collectivist. They all have a common base in bureaucratic power over the liberties and economic life of the people.

"The less violent forms claim that government can dictate or operate economic life and still preserve personal liberty. But history shows over and over again that bureaucrats, to stay in power and to enforce their ideas, must in the end dominate the making of laws, the press, the courts and the police.

"Inevitably and invariably, the totalitarian 'liberals' find themselves whittling away the freedom of men. Their utopia is a will-o'-the-wisp that leads implacably to the swamps of serfdom.

"You have seen a form of collectivism in our own country. You are familiar with the pre-war growth of governmental power over our own citizens. To this are added the controls necessary to win the war.

* * *

"Indeed, the time has come when America should again proclaim our faith. We should proclaim our resolution to hold it. We should cease

(Continued an page 764)

## Japan Surrenders

Announcement of the Japanese surrender and the end of the war was made by President Truman on August 14 at a special press conference held at the Executive Offices at 7 p.m. Simultaneously with the announcement broadcast in this country, the acceptance by Japan of the allies' conditions of surrender was officially made known in London, England, Moscow, Russia, and Chungking, China.

President Truman's announcement of the Japanese Government's surrender was made in a statement as follows, according to United Press advices from Washington August 14:

"I have received this afternoon a message from the Japanese Government in reply to the message forwarded to that Government on Aug. 11. I deem this reply a full acceptance of the Potsdam declaration, which specifies the unconditional surrender of Japan. In the reply there is no qualification.

"Arrangements are now being made for the formal signing of surrender terms at the earliest possible moment.

"General Douglas MacArthur has been appointed the Supreme Allied Commander to receive the Japanese surrender. Great Britain, Russia and China will be represented by high-ranking officers.

"Meantime, the Allied armed forces have been ordered to suspend offensive action.

(The Allies' first order to Japan, issued at once by President Truman, was for the Japanese to stop the war on all fronts.)

"The proclamation of V-J Day must wait upon the formal signing of the surrender terms by Japan."

The text of the Japanese surrender statement as broadcast on Aug. 14 and given in the New York "Times" of Aug. 15 follows:

"Communication of the Japanese Government of Aug. 14, 1945, addressed to the Governments of the United States, Great Britain, the Soviet Union and China.

"With reference to the Japanese Government's note of Aug. 10 regarding their acceptance of the provisions of the Potsdam Declaration and the reply of the Governments of the United States,

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## Pres. Truman Reports cn Potsdam

**Warns Japan to Accept Terms. Says We Must Have Bases for Military Protection and Reiterates There Were No Secret Agreements Among "Big Three." Calls for End of "Selfish Control" of International Waterways. Reveals Secret of Atom Bomb Remains With Ourselves, Great Britain and Canada Who Will "Constitute Themselves Trustees of This New Force." Will Continue "March to a Lasting Peace."**

President Truman

Pres. Harry S. Truman in a radio address on August 9 to the nation on the Potsdam Conference stated emphatically that "we must do all we can" to spare the nation from the ravages of a future war, and to that end "we are going to maintain military bases necessary to the complete protection of our interests and of world peace." "We will acquire these bases," he said, "by arrangements consistent with the United Nations Charter." He warned Japan against a continuation of the conflict and spoke of the atom bomb as a development necessary to offset the plans of the Hitler Government to produce the same weapon, saying, "We won the race of discovery against the Germans." He revealed that the secrets of the new weapon "are known only to the United States, Great Britain and Canada and that these nations will constitute themselves trustees of this new force," stating also that Russia had agreed to enter the war against Japan before the successful use of the bomb was demonstrated. He spoke of the problems confronting the Conference with relation to Poland and other devastated countries as well as the question of reparations and explained the basis on which agreements on these matters were arrived at and he warned that we must do all we can to help avert starvation and chaos in Europe. He concluded his address by asserting that democratic countries have proven themselves "more powerful, more enduring and more creative than any other

(Continued on page 768)

## From Washington Ahead of the News

By CARLISLE BARGERON

The report of the atomic bomb saddened this country. The impression is that the people as a whole shared none of the expressed high glee of our high officials. It is doubtful if we have yet realized its full significance, or just how devastating it can be and probably will be.

Carlisle Bargeron

For example, you may be a man who has been making his living and supporting his family out of the manufacture of textile products. It has been looked upon hitherto as a very legitimate trade, nothing that the young daughters or sons should be embarrassed about because their father was engaged in it. But supposing now that the State Department decides to barter him out of business in an agreement with Britain under the increased authority to negotiate reciprocal tariff treaties. The State Department would be doing this, in its wisdom, in the interest of world trade, and good neighborliness. If the manufacturer should happen to protest, he will be crucified in the welter of the great world-mindedness that has come to us. Doesn't he realize, he will be asked, that the world has shrunk. Doesn't he realize that there is now an atomic bomb loose in the world, and while we, Britain and Canada, for the present, have the secret of it sewed up, that other nations will soon get it, and therefore we cannot, under any circumstances give any offense to the other nations.

It seems that now that this world has shrunk, and incidentally, it was this Nation that shrunk it, not any foreign nation—no nation having yet shown that it can accomplish our chores—and therefore we have got to spend the rest of our lives kowtowing to these nations, giving them our substance, adjusting our way of living to them.

It might be thought that we have exaggerated the situation. But this correspondent saw a group of Californians come here to try to defeat the Mexican water treaty. They thought this treaty hurt them. Whether it does or not is something we can't pass upon. But the point is that this group of American citizens had not the slightest hearing. The State Department said the treaty was necessary to "implement" our international policy. If the treaty were not ratified, the Senate was told, and the Eastern newspapers wrote, the countries of the world, looking to us for cooperation, would be just downright heartbroken. It seems that these

(Continued on page 770)

# Text of Bill Increasing Lending Authority Of Export-Import Bank

The bill increasing the lending authority of the Export-Import Bank, which passed the House on July 13, and the Senate on July 20, became a law on July 31, when it was signed by President Truman while returning from the Berlin (Potsdam) conference. The House action on the bill, which increases the lending power of the Bank from $700,000,000 to $3,500,000,000 was referred to in these columns July 19, page 331. Approval of the bill by the President was noted in our Aug. 9 issue, page 639. The text of the newly enacted law follows.

(H. R. 3771)

**An Act**

To provide for increasing the lending authority of the Export-Import Bank of Washington, and for other purposes.

**Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,** That this Act may be cited as the "Export-Import Bank Act of 1945."

Sec. 2. (a) The Export-Import Bank of Washington, District of Columbia, a banking corporation organized under the laws of the District of Columbia as an agency of the United States, is continued as an agency of the United States, and in addition to existing charter powers, and without limitation as to the total amount of obligations thereto of any borrower, endorser, acceptor, obligor, or guarantor at any time outstanding, it is hereby authorized and empowered to make loans, to discount, rediscount or guarantee notes, drafts, bills of exchange, and other evidences of debt, or participate in the same, for the purpose of aiding in the financing and facilitating of exports and imports and the exchange of commodities between the United States or any of its Territories or insular possessions and any foreign country or the agency or nationals thereof. The Bank is hereby authorized to use all its assets, including capital and net earnings therefrom, and to use all moneys which have been or may hereafter be allocated to or borrowed by it, in the exercise of its functions as such agency.

(b) It is the policy of the Congress that the Bank in the exercise of its functions should supplement and encourage and not compete with private capital, and that loans, so far as possible consistently with carrying out the purposes of subsection (a), shall generally be for specific purposes, and, in the judgment of the Board of Directors, offer reasonable assurance of repayment.

Sec. 3. (a) (1) The management of the Export-Import Bank of Washington shall be vested in a Board of Directors consisting of the Administrator of the Foreign Economic Administration, who shall serve as Chairman, the Secretary of State, and three persons appointed by the President of the United States by and with the advice and consent of the Senate. The Secretary of State, to such extent as he deems it advisable, may designate to act for him in the discharge of his duties as a member of the Board of Directors any officer of the Department of State who shall have been appointed by and with the advice and consent of the Senate.

(2) If the Foreign Economic be appointed for terms of five Administration ceases to exist in the Office for Emergency Management in the Executive Office of the President, the President of the United States shall appoint by and with the advice and consent of the Senate another member of the Board of Directors. The member so appointed shall serve for the remainder of the existing terms of the other three appointed members, but successors shall years. After the Foreign Economic Administrator ceases to be a member of the Board of Directors the President of the United States shall, from time to time, designate one of the members of the Board to serve as Chairman.

(3) Of the five members of the Board, not more than three shall be members of any one political party. Each of the appointed directors shall devote his time not otherwise required by the business of the United States principally to the business of the Bank. Before entering upon his duties each of the directors so appointed and each officer of the Bank shall take an oath faithfully to discharge the duties of his office. The terms of the appointed directors shall be five years, except that the terms of the directors first appointed shall run from the date of appointment until June 30, 1950. Whenever a vacancy occurs among the directors so appointed, the person appointed to fill such vacancy shall hold office for the unexpired portion of the term of the director whose place he is selected to fill. Each of the appointed directors shall receive a salary at the rate of $12,000 per annum, unless he is an officer of the Bank, in which event he may elect to receive the salary of such officer. No director, officer, attorney, agent, or employee of the Bank shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly personally interested.

(b) A majority of the Board of Directors shall constitute a quorum.

(c) The Board of Directors shall adopt such bylaws as are necessary for the proper management and functioning of the Export-Import Bank of Washington, and may amend the same.

(d) There shall be an Advisory Board consisting of the Chairman of the Export-Import Bank of Washington, who shall serve as Chairman, the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce, and the Chairman of the Board of Governors of the Federal Reserve System, which shall meet at the call of the Chairman. The Advisory Board may make such recommendations to the Board of Directors as it deems advisable, and the Board of Directors shall consult the Advisory Board on major questions of policy.

(e) Until October 31, 1945, or until at least two of the members of the Board of Directors to be appointed have qualified as such directors, whichever is the earlier, the affairs of the Bank shall continue to be managed by the existing Board of Trustees.

(f) The Export-Import Bank of Washington shall constitute an independent agency of the United States and neither the Bank nor any of its functions, powers, or duties shall be transferred to or consolidated with any other department, agency, or corporation, of the Government unless the Congress shall otherwise by law provide.

Sec. 4. The Export-Import Bank of Washington shall have a capital stock of $1,000,000,000 subscribed by the United States. Payment for $1,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the common stock heretofore issued by the Bank and purchased by the United States. Payment for $174,000,000 of such capital stock shall be made by the surrender to the Bank for cancellation of the preferred stock heretofore issued by the Bank and purchased by the Reconstruction Finance Corporation. Payment for the $825,000,000 balance of such capital stock shall be subject to call at any time in whole or in part by the Board of Directors of the Bank. For the purpose of making payments of such balance, the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this section of the subscription of the United States to the Bank and repayment thereof shall be treated as public-debt transactions of the United States. Certificates evidencing stock ownership of the United States shall be issued by the Bank to the President of the United States, or to such other person or persons as he may designate from time to time, to the extent of the common and preferred stock surrendered and other payments made for the capital stock of the Bank under this section.

Sec. 5. (a) The Secretary of the Treasury shall pay to the Reconstruction Finance Corporation the par value of the preferred stock upon its surrender to the Bank for cancellation. For the purpose of making such payments to the Reconstruction Finance Corporation the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection to the Reconstruction Finance Corporation shall be treated as public-debt transactions of the United States.

(b) Any dividends on the preferred stock accumulated and unpaid to the date of its surrender for cancellation shall be paid to the Reconstruction Finance Corporation by the Bank.

Sec. 6. The Export-Import Bank of Washington is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations; but the aggregate amount of such obligations outstanding at any one time shall not exceed two and one-half times the authorized capital stock of the Bank. Such obligations shall be redeemable at the option of the Bank before maturity in such manner as may be stipulated in such obligations and shall have such maturity and bear such rate of interest as may be determined by the Board of Directors of the Bank with the approval of the Secretary of the Treasury. The Secretary of the Treasury is hereby authorized and directed to purchase any obligations of the Bank issued hereunder and for such purpose the Secretary of the Treasury is authorized to use as a public-debt transaction the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this section of the purchase price of such obligations of the Bank and repayments thereof by the Bank shall be treated as publib-debt transactions of the United States.

Sec. 7. The Export - Import Bank of Washington shall not have outstanding at any one time loans and guaranties in an aggregate amount in excess of three and one-half times the authorized capital stock of the Bank.

Sec. 8. The provisions of the existing charter of the Bank relating to the term of its existence, to the management of its affairs, and to its capital stock are superseded by the provisions of this Act and the Bank shall be exempt from compliance with any provisions of law relating to the amendment of certificates of incorporation or to the retirement or increase of stock of District of Columbia corporations and from the payment of any fee or tax to the Recorder of Deeds of the District of Columbia determined upon the value or amount of capital stock of the Bank or any increase thereof.

Sec. 9. The Export-Import Bank of Washington shall transmit to the Congress semi-annually a complete and detailed report of its operations. The report shall be as of the close of business on June 30 and December 31 of each year.

Sec. 10. Section 9 of the Act of Jan. 31, 1935 (49 Stat. 4, ch. 2), as amended, is repealed.

Sec. 11. Notwithstanding the provisions of the Act of April 13, 1934 (48 Stat., ch. 112, p. 574), any person, including any individual, partnership, corporation, or association, may act for or participate with the Export-Import Bank of Washington in any operation or transaction, or may acquire any obligation issued in connection with any operation or transaction, engaged in by the Bank.

Approved July 31, 1945.

# UNRRA Budget Increase Sought By Lehman

An estimate that "more than $2,000,000,000" in new funds will be necessary to carry on the task of the United Nations Relief and Rehabilitation Administration in 1946 was announced at London on Aug. 11 by Herbert H. Lehman, Director General of the UNRRA, because, he said, the work had been "suddenly doubled" by the approach of the end of the war in the Pacific. Only a few days before, Aug. 8, Mr. Lehman stated that more than $1,500,000,000 additional funds would be required by the UNRRA for the coming year's operations. At that time he warned participating nations that the winter ahead may be "one of the grimmest in history" for the peoples of Europe unless supplementary aid to the funds originally appropriated be forthcoming in the near future.

Delegates of the 43 member nations were told by Mr. Lehman, the Associated Press reported from London, Aug. 8, that of the original contributions only $175,000,000 would remain uncommitted by the end of 1945, and that unless further contributions are made "the name of the United Nations will be a mockery in Europe this winter." The Press advices on that date added:

Of the original total of $1,862,387,598 pledged to finance the UNRRA activities, the United States authorized an expenditure of 72%. There was no change proposed in the plan for financing, so presumably the American Congress will be asked to appropriate the same proportion of the new levy.

"We stand before the crisis," Mr. Lehman said. "We must act and we must act now. It is inconceivable that the United Nations could abandon the peoples of the liberated areas of Europe at the moment of their greatest peril. They must be brought safely through the following harvest. Give them another year, and we can look forward with some confidence to a minimum of health and stability."

Mr. Lehman said that his estimates of the UNRRA needs for 1946 constituted no more than a tentative forecast.

Approval of Russia's recent request for $700,000,000 worth of UNRRA supplies would boost the total for 1946 to close to $2,300,000,000. The Soviet's application will probably be acted upon before the conference closes.

"The plain fact is," Mr. Lehman said, "that the resources provided for the UNRRA at the Atlantic City meeting are far from enough to bring about even a minimum of relief and rehabilitation fo countries requiring UNRRA assistance."

The UNRRA agreed at Atlantic City upon a financial system whereby so-called contributing countries would be assessed upon a basis of 1% of their national income for the 12-month period ending on June 30, 1943. A number of countries, then under German or Japanese occupation, were virtually bankrupt, without any ascertainable national income.

Mr. Lehman said that the UNRRA "has neither the authority nor the inclination to infringe in the slightest degree upon the sovereignty of any country," but he cautioned governments receiving UNRRA aid that it is "they who must collect and distribute their own resources, stamp out black markets and hold prices to a reasonable level."

He had a special word for China "behind the blockade," declaring that China is "enduring inflation and disease," and that the relief so far provided in that country "could hardly be called a beginning."

Mr. Lehman also noted that the chances of any meat shipments from the United States to liberated Europe before Oct. 1 were remote. "Against the UNRRA request of 167,000 long tons of food for shipment in August from the United States, the administration had received by June 30 commitments by the United States War Food Administration amounting to only 62,000 long tons," he added.

Mr. Lehman listed as some of the UNRRA accomplishments as follows:

Delivery of 1,250,000 tons of supplies worth $295,000,000, landed cost, up to June 30.

Shipment of large quantities of supplies for agricultural rehabilitation, including tractors, farm machinery, farm animals, fertilizer and seeds.

Shipment of a limited amount of supplies for industrial rehabilitation, including machinery, repair parts, trucks and railroad cars.

Shipment of medical supplies to combat malaria and typhus.

He said that one of the biggest problems was securing inland transportation. He noted that the UNRRA now has roughly 4,000 persons on its rolls working with the military in repatriation of Europe's millions of displaced persons, and has another 1,000 workers awaiting assignment.

From London Aug. 11 Press advices said, UNRRA officials are considering an increase in assessments of the member nations by an additional 1% of national income to raise funds for the 1946 program. Member nations are now assessed 1% of national income, and unofficial estimates are that the United States' contribution would grow from $550,000,000 to $1,100,000,000 under the proposal, the dispatch added.

## Sweden and Argentina Enter Trade Agreement

Argentina and Sweden agreed to "intensify their commercial interchange" in official notes exchanged on Aug. 4 at a ceremony attended by Foreign Minister Cesar Ameghino and the Swedish Ambassador, Otto Winther, according to a cablegram received by the Associated Press, said advices from Buenos Aires Aug. 5 published in the New York "Journal of Commerce" which likewise stated:

Sweden promised to facilitate export to Argentina of Swedish chemicals, machinery, automobiles, trucks, newsprint and other manufactured articles and to build up to six vessels for the Argentine State merchant fleet.

Argentina will send Sweden textiles and agricultural products, including wheat, corn, pork, hides and wines.

## Congress to Reconvene in September

With the war's end so definitely in sight, President Truman indicated, on Aug. 11, the need for Congress to reconvene earlier than Oct. 8, as originally intended, and accordingly Senator Alben W. Barkley (D.-Ky.), majority leader, announced after a visit with the President that Congress would be called back Sept. 4.

This necessitates immediate preparation of legislation to be ready for enactment when the Congress returns, the New York "Times" pointed out on Aug. 11, in reporting the announcement from Washington. The House, the "Times" stated, would be called back into session by its majority leader, John W. McCormack (D.-Mass.).

"The President feels," Senator Barkley is reported by the "Times" as having stated, "that Congress should reconvene as soon as possible, but he realizes there would be no point in bringing the members back if there is no legislation ready to be handled.

"So I am going out now to talk with the committees of the Senate to see what can be done about getting this emergency legislation ready. I think it can be ready by Sept. 4, but I am not prepared to say that definitely."

Then, the New York "Times" report continued, he listed five measures which he regarded as "emergency legislation" in view of the imminent end of the war with Japan:

"1. Amendment of the Social Security laws to raise the unemployment compensation payment to $25 a week for 26 weeks. Recommended by President Roosevelt, this is regarded as an essential relief measure for the temporary unemployment which will come during reconversion.

"2. Revision of the Surplus Property Disposal Act to provide, among other things, for a single director, as originally recommended by Bernard M. Baruch, instead of the present three-man board.

"3. The 'Full Employment Bill,' which would provide for an annual measurement of the job expectancy of private industry, with provision for supplemental work financed by the Government to keep the total unemployment level at a minimum. Brief introductory hearings have been held on the bill.

"4. Continuation of such war agencies and powers as may be deemed essential for the reconversion period.

"5. The bill introduced at the instance of President Truman which would give him sweeping powers to reorganize the executive departments of the Government.

"Almost at once dissent arose in the Senate Military Affairs Committee over Senator Barkley's listing of the proposed change in the Surplus Property Disposal Act as urgent. It was the Senate which was responsible for substituting the present board for the House version of the original bill which called for one administrator.

"Senator Elmer Thomas, Chairman, said that he had found no evidence of any feeling in the committee that one administrator would 'in any way solve the problem of surplus disposal.'

"Senator O'Mahoney, Democrat, of Wyoming, declared that there was nothing 'demanding' or 'basic' about passage of the surplus property law amendment. Only the full employment bill, he added, was vitally important.

"Senator Barkley did not include taxes in his list of urgent legislation, although Senator George, Chairman of the Finance Committee, had asserted recently that he regarded post-war tax relief as vitally important and would hold hearings early in October regardless of what the House Ways and Means Committee did.

"Senator Barkley said that it was doubtful whether tax revision belonged in the emergency category since the House Committee's tax hearings probably could not begin until near the end of the year."

## Senate Post-War Housing Proposals

Before Congress recessed for the summer, legislation was introduced by Senators Robert F. Wagner (D.-N. Y.) and Allen J. Ellender (D.-La.) designed to promote a national post-war housing program by Federal appropriations amounting to $31,000,000 in the first year, with annual increases to raise the total to $133,000,000 at the end of five years.

Coincidentally with this proposal came a recommendation from a Senate Post-War Study Committee, the Associated Press stated in a dispatch from Washington, Aug. 2, which proposed a 10-year national housing program with a construction goal of 1,250,000 new dwelling units a year, nearly five times the pre-war average.

The program, the press advices state, embraces continuation of low-rent public housing, aid for cities to redevelop "blighted" and slum areas, continued federal insurance of mortgages on small homes (the F.H.A. plan), guarantees of income for investors who agree to a low return on investments in housing and aid for farm housing.

Mr. Ellender said he believed the program would not take more than $133 million from the Federal Treasury in contributions in any one year.

Senator Taft (Rep., Ohio), who headed the study group, said "the building of a million and a quarter homes a year would stimulate an expenditure upwards of $5 billion to $6 billion annually and, directly and indirectly, provide for three to four million jobs."

The average number of residential units built annually during the 10-year period ending with 1939 was 273,000 at an annual cost of slightly over $1 billion.

The Wagner-Ellender Bill provides for consolidation of all Federal Housing activities under the National Housing Administration. They are consolidated at present but under a presidential executive order which holds good only through the war.

The plan for aid to cities redeveloping "blighted" areas calls for local agencies to acquire the land, clear it and prepare for redevelopment. The Federal Government would make annual contributions thereafter to enable the city to lease the land, or sell it, at a figure which would interest private developers.

There is provision also for federal loans to the cities under an interest formula which Mr. Ellender said worked out to about 2½%.

## Elliott to Aid on Post-War Planning

J. A. Krug, Chairman of the War Production Board, announced on Aug. 7 the resignation of William Y. Elliott, Vice-Chairman for Civilian Requirements, who is leaving WPB on Aug. 15 after five years of service to become staff consultant of the Special Congressional Colmer Committee on Post-war Economic Policy and Planning. The WPB announcement says:

Mr. Elliott will go on a mission to Europe the middle of this month with the committee to study rehabilitation needs and economic control policies in Europe and their bearing on the American economy. Only recently Mr. Elliott returned from the Philippines as a member of the Tydings Commission. This fall, he will, resume his position at Harvard University as Professor of Government in the University's Department of Government.

A. C. C. Hill, Jr., Deputy Vice-Chairman for Civilian Requirements, has been named by Mr. Krug as Vice-Chairman of OCR to succeed Mr. Elliott. "The functions of the Office of Civilian Requirements", Mr. Krug said, "will continue playing the same important part in the War Production Board in the future as it has in the past, for without a sound civilian economy, the war effort would suffer immeasurably."

## Plans for Huge Public Works Program

Without stating when the plans would actually be put into effect, Budget Director Harold Smith announced on Aug. 1, according to a report to the "Journal of Commerce" from Washington on that date, that the Government had a potential "shelf" of public works totaling close to $25,000,000,000, and that by next June would have a program of $4,100,000,000 completely planned and ready to be inaugurated.

Mr. Smith is said to have reported to Congress, in transmitting his revised budget, that the volume of authorized public works to be planned in detail by June 30, 1946, is $4.100,000,000. The "Journal of Commerce" report continues:

"The execution of many of these projects, however, will be spread over a two- to five-year period," he said.

The potential $25,000,000,000 "shelf" of public works includes $9,270,000,000 of plans authorized by the end of last June plus $15,000,000,000 "proposed but unauthorized projects." The latter are not yet planned in detail, Mr. Smith said.

The volume of $4,100,000,000 completely planned projects, anticipated by the end of next June, is part of the $9,270,000,000 of authorized plans. According to the statements made here today, the Government will have a backlog of authorized but unplanned projects of $5,142,000,000 remaining when the present fiscal year comes to a close.

To date detailed plans have been completed for public works costing $1,906,000,000, of which $1,255,000,000 represents direct Federal public works and $651,000,000 Federal loans and grants.

Mr. Smith gave the totals in presenting Congress with a table which he described as showing the present status of the planning of public works to be financed by the Federal Government.

He reported that $20,600,000 will be used in the fiscal year 1946 for planning Federal public works, $17,000,000 for advances to States and municipalities for general public works planning, and grants of $5,000,000 for State highway planning.

In transmitting the January budget to Congress, the late President Roosevelt had emphasized the necessity of continuing to "stock up a shelf of meritorious construction and development projects to be undertaken as manpower and material become available."

By the end of the fiscal year, he said, detailed plans will be ready for about $1,500,000,000 of Federal public works, and also substantially ready for a billion-dollar program of Federal-aid highways, half of the road program to be financed with State funds.

"We need a larger shelf of detailed plans in order to be prepared for the post-war program," President Roosevelt added. He mentioned that programs were being developed for Federal loans and guarantees to stimulate private construction; that plans had been completed or were in the "design stage" for about $3,000,000,000 of State and local public works, excluding Federal-aid highways.

# The State of Trade

A complete shift in our domestic economy from that of war to peace gave promise of descending upon the country like an avalanche as a result of Japan's offer to the Allies on Friday, last, to accept the terms of the Potsdam ultimatum with the single reservation that the Emperor be permitted to retain his sovereignty and "perogatives."

The Big Four Allied governments in a reply on the following day (Saturday) agreed to permit Emperior Hirhito to retain his throne temporarily, but at the same time made it clear that his authority would be subject to that of a supreme Allied commander during the occupation of Japan with the Emperor's future depending upon the will of the Japanese people as expressed in a free election.

Up to late Tuesday afternoon of this week the four allied governments were still awaiting Japan's decision. The situation grew tense and the air was charged with rumors of Japan's acceptance of the terms. Lending credence to these rumors, a United Press report on the same day, announced that a Japanese broadcast monitored by the FCC at 12:01 p.m. (EWT) said Japan's reply to the Allies "is now on its way to the Japanese minister at Berne.' The Tokyo radio broadcasts indicated, the report stated, that when the news does come it will be acceptance of the Allied unconditional surrender terms.

Lending credence to these rumors, a United Press report on the same day, announced that a Japanese broadcast monitored by the FCC at 12:01 p.m. (EWT) said Japan's reply to the Allies "is now on its way to the Japanese Minister at Bern." The Toyko radio broadcasts indicated, the report stated, that when the news does come it will be acceptance of the Allied unconditional surrender terms. Word of total capitulation by Japan was finally conveyed to the State Department by the Swiss Legation Charge d'Affaires at 6:10 p.m., according to the New York "Times," and at 7 p.m. on the same evening, President Truman at a specially summoned press conference announced the news of complete surrender the whole world had been expectantly awaiting.

Fresh impetus was given on Saturday to the hastening of reconversion inspired by the imminence of peace through the large-scale cancellation of war contracts by war procurement agencies of the government to free necessary materials. Informed sources in Washington, it was reported, estimated that 90% of all war contracts would be cancelled with the coming of V-J Day. The Army and Navy, it is understood, have already sent out orders for the immediate cancellation of $4,000,000,000 in war contracts, including $1,200,000,000 for 95 warships.

With the long awaited peace a reality, the problem of unemployment once again casts its towering shadow over the nation. Available figures envision unemployment involving more than 6,000,000 people in the 30 days following the surrender of Japan. Director of the Office of War Mobilization and Reconversion, John W. Snyder, announced from the White House on Saturday, last, that the Government would act immediately to "give the maximum possible assistance to reconversion of industry." The speed with which reconversion will get under way will depend upon the re-employment of millions of displaced American workers and a more stable and healthy national economy.

**New Capital Flotations**—The volume of corporate financing for the month of July reached $961,535,209, the largest monthly total since September, 1929, when $1,507,376.014 was reported. The July figure compares with $75,767,125 in June and $211,244,801 in July, 1944. Activity for the month may be attributed to the release of a large backlog of issues which was held in abeyance during the Seventh War Loan Drive. The poor showing in June similarly was attributed to the war bond drive which commenced May 14 and continued through June 30. As in the previous 19 months the largest portion of the month's financing, $749,921,243, or 78%, fell under the refunding column and $211,613,966, or 22%, was for new money purposes.

Public utility financing dominated the month's flotations, the total adding up to $290,662,360; other industrial and manufacturing accounted for $251,347,892; railroad financing reached $108,436,000; oil, $125,000,000; iron, steel, coal, copper, etc., $106,000,000, and miscellaneous, $80,088,957.

The financing for the month was featured by the numerous stock issues, both preferred and common. The total stock emissions of $304,344,209 for July surpassed any month since May, 1930. In the latter period, the total footed up to $433,640,468.

Private placements for July comprised 15 separate issues aggregating $130,955,000, or 13.6% of the total. This compares with $73,250,000, or 96.7% of the total for the month of June; $102,661,000, or 19.4% in May; $107,060,000, or 16.3% of the total reported in April; $157,275,000, or 44% reported in March; $29,600,000, or 15.7% so placed in February and $56,414,000, or 17.9% of the total recorded for January.

**Steel Industry** — Indications were mounting the past week to a point where the military appetite for steel for prosecution of the Japanese War may be nearly satiated within the next 60 days, according to "The Iron Age" in its current summary of the steel trade.

Continuing pressure from business and political quarters, the magazine pointed out, may compel the military to disgorge tonnage which has clogged mill schedules. "The first tangible indications that a home has been found for the bulk of most 'must' requirements for sheet steel products came from last week's notification to the mills by WPB that third-quarter sheet schedules had been unfrozen," this trade authority noted and added, "if no rated orders are on hand, mills may insert unrated civilian orders to plug whatever holes may appear in schedules."

Reduced ordering for military needs last week widened the gap by which rated order volume now trails civilian ordering. Navy orders for 30,000 tons of plates and 47,900 tons of structural steel reported last week were blown up this week, according to "The Iron Age," to include an additional 40,000 tons of structural tagged for rush production, delivery of the entire tonnage was scheduled for completion this month.

The foregoing Navy orders have fallen heaviest on Western mills whose backlog has been severely depleted. The condition of structural deliveries last week as a result of Navy orders were pushed back as far as December from September offerings made last month. Carbon bar deliveries at that time were still being quoted for December by most mills, with quality grades not available until February. Strip deliveries continued on a four to five months' basis, with some independent producers having earlier openings, while sheet deliveries extended into March, 1946, and cold rolled sheets, chief concern of the automotive industry, were only slight-

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# The Financial Situation

(Continued from first page)

date these corporations had cash in the form of advances from the Government expendable only for the completion of Government contracts amounting to $1,381 million. Against these amounts they held receivables payable by the Government in the amount of $2,953 million and inventories (for a large part of which the Government is financially responsible) totaling $5,236 million. Can these enterprises count upon obtaining cash from the Government in amounts sufficient and quickly enough to pay their tax obligations to the Government?

Current reports appear to suggest that so-called termination arrangements have up to now been handled in a way to cause no great hardship. For this two facts are largely responsible. One is that terminations or "cut-backs" have been of a magnitude small in comparison with what is now taking place and must continue to take place for some time to come — which has made the problem of handling the "paper work" quite simple and quickly disposed of in contrast to that which now must be faced. The other is that new war orders have in relatively so large degree replaced those canceled that financial hardship growing out of immediate impairment of the working capital position of the enterprises involved has not been severe. It remains to be seen whether official arrangements will prove equal to what is now thrown upon them. Recent legislation amending the excess profits tax law will doubtless help—or will if it does not get bogged down in red tape—but much more than that is required.

### Needs of "Small Business"

All this bears much more heavily upon "small business" than upon the larger and financially more independent enterprises. These latter are, of course, in a position to finance their relatively short-term needs without great difficulty. Moreover, they are not, relatively speaking, so heavily involved—despite the enormous volume of their war production—as many of the smaller enterprises. Official figures recently submitted to a Congressional committee show that in 1943, 1,203 enterprises, all with prewar sales under $500,000, averaged "renegotiable" sales of $1,658,000 against $256,000 in average total sales during the period from 1936-39. Thus "renegotiable" sales in 1943 were six times total sales in the prewar period. Large corporations (sales $10 million or more during the years 1936-39) had average renegotiable sales in 1943 of $103,677,000, against total sales of $69,411,000 in the prewar period, the former being only about 1.5 times the latter. It is true that these smaller corporations will probably have less than normal difficulty in borrowing (for them) large sums against their claims on the Government to tide them over, but even so their position will scarcely be enviable when compared with the larger, well-financed corporation.

### Another Task

There is likewise the matter of clearing these war plants of special machinery (usually Government-owned) placed there for the production of war goods. Obviously this must be accomplished before these plants can install their regular machinery for the production of peacetime goods. Great speed was achieved in taking out peacetime equipment to make room for war production machinery, but that was done by private industry unrestricted by Government red tape. If war production had been required to wait while this equipment was stored systematically and carefully in warehouses, we should never have got into full production necessary for the defeat of our enemies in so short a period of time as was actually the case. Can and will Government match the speed of private industry in getting its equipment out of the way?

Of course, there are other aspects of essentially this same problem. One of them is inventory, which often consists of raw materials of little or no value in peacetime, various goods and parts in process—all of which not only tie up the funds of the enterprises concerned, but which occupy the space which must be employed in peacetime operations. There is also the question as to whether personnel with certain special skills should be given preference in release from the armed forces in order to hasten the preparation of industry to serve peacetime needs. There has of late been a good deal of discussion of early release of coal miners in order to increase production against privation this winter. Broadly similar situations will doubtless arise in many industrial spheres where men now in the armed forces are needed to get ready in the shortest possible time for full peacetime production.

### The Really Vital Question

But there are broader questions of equal or greater import. If we are to be really successful in our post-war developments we shall have to count upon private initiative to the utmost. We shall have to make sure that nothing is done to curb the ambition of able men to achieve. Much is being said about "stimulation" of private enterprises. Nothing of the sort is needed, and any effort to "stimulate" business is very likely to be harmful in the end. What is needed is an atmosphere in which the natural initiative and energy of our population can find full exercise. It is here that the intentions and the capabilities of the regime in Washington are most seriously in question.

What is most essential is a turning away from the New Deal, and other similar lines of thought and action. Without that all the rest will of necessity be more or less in vain. That is our real reconversion task.

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# Mulligan Named Head Of War Damage Corp.

Charles B. Henderson, Acting Federal Loan Administrator, announced on Aug. 4 that the Directors of War Damage Corporation, following the resignation of Howard J. Klossner as President and Director, had made the following appointments:

Henry A. Mulligan, who has been Treasurer and Director of the Corporation since its establishment, becomes President; Willard E. Unzicker has been elevated from Assistant Treasurer to Vice-President; Facius W. Davis, formerly Assistant Treasurer, has been appointed Treasurer. The advices add:

Mr. Klossner, whose resignation as a Director of the Reconstruction Finance Corporation was announced recently, had been with RFC in Washington practically since its formation in 1932 and was closely associated with the War Damage Corporation since its inception late in 1941. Effective immediately, he becomes Vice-President and Director of The Chicago Corporation.

Mr. Mulligan has been Treasurer of RFC since 1932 and Director and Treasurer since July, 1941, which posts he continues to hold.

Mr. Unzicker was appointed Assistant Treasurer of RFC in September 1932, which position he continues to hold. In addition he has served as Assistant Treasurer of War Damage Corporation and U. S. Commercial Company, and as Treasurer of Defense Supplies Corporation from its inception until July 1, 1945, the date of its merger with RFC.

Mr. Davis has occupied a number of accounting posts with RFC, is Treasurer of the RFC Price Adjustment Board, and has been Assistant Treasurer of War Damage Corporation since July, 1942.

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# Sen. Hiram Johnson Dies

Senator Hiram W. Johnson (Republican) of California died, in his 79th year, at Bethesda, Md., Naval Hospital on August 6, according to an Associated Press dispatch from Washington on that date. He had been a politically active figure for more than a third of a century, and was remembered for the part he played in defeating President Wilson's League of Nations covenant and later in opposing United States' adherence to the World Court.

As one-time Governor of California he was responsible for much of that state's far reaching legislation.

One of Senator Johnson's last official acts was to cast the one vote in the Senate Foreign Relations Committee against ratification of the United Nations Charter for a world organization of nations.

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# We Must Not, Indeed!

(Continued from first page)

to apologize for it. Our first post-war purpose should be to restore it.

"You and I must not be marked as the generation who surrendered the heritage of America."
—Herbert Hoover.

Hail the "elder statesman" who as a "reactionary" has become one of the few real "liberals" in influential position in this or any other country!

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# Text of Bretton Woods Agreement Act As Approved by President July 31

The Bretton Woods Agreement Act was enacted into law with its approval by President Truman on July 31, while returning from the Big Three Conference at Potsdam (Berlin), which conference was participated in by the President, Premier Stalin of Russia and Prime Minister Attlee of Great Britain.

In our issue of July 26, page 405, referring to the adoption of Congress of the Bretton Woods Monetary Plan, it was noted that the United States is the first of the 44 signatory nations to adopt the agreement. The Act (as stated in these columns Aug 9, page 639, wherein reference was made to the President's approval) would provide for nearly $6,000,000,000 for a World Bank and an International Monetary Fund designed to promote post-war trade and stabilize exchange rates in accordance with the proposals worked out at Bretton Woods, N. H., last summer.

The text of the newly enacted law follows:

[H. R. 3314]

AN ACT

To provide for the participation of the United States in the International Monetary Fund and the International Bank for Reconstruction and Development.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,*

### Short Title

Sec. 1. This Act may be cited as the "Bretton Woods Agreements Act".

### Acceptance of Membership

Sec. 2. The President is hereby authorized to accept membership for the United States in the International Monetary Fund (hereinafter referred to as the "Fund"), and in the International Bank for Reconstruction and Development (hereinafter referred to as the "Bank"), provided for by the Articles of Agreement of the Fund and the Articles of Agreement of the Bank as set forth in the Final Act of the United Nations Monetary and Financial Conference dated July 22, 1944, and deposited in the archives of the Department of State.

### Appointment of Governors, Executive Directors, and Alternates

Sec. 3. (a) The President, by and with the advice and consent of the Senate, shall appoint a governor of the Fund who shall also serve as a governor of the Bank, and an executive director of the Fund and an executive director of the Bank. The executive directors so appointed shall also serve as provisional executive directors of the Fund and the Bank for the purposes of the respective Articles of Agreement. The term of office for the governor of the Fund and of the Bank shall be five years. The term of office for the executive directors shall be two years, but the executive directors shall remain in office until their successors have been appointed.

(b) The President, by and with the advice and consent of the Senate, shall appoint an alternate for the governor of the Fund who shall also serve as alternate for the governor of the Bank. The President, by and with the advice and consent of the Senate, shall appoint an alternate for each of the executive directors. The alternate for each executive director shall be appointed from among individuals recommended to the President by the executive director. The terms of office for alternates for the governor and the executive directors shall be the same as the terms specified in subsection (a) for the governor and executive directors.

(c) No person shall be entitled to receive any salary or other compensation from the United States for services as a governor, executive director, or alternate.

### National Advisory Council on International Monetary and Financial Problems

Sec. 4. (a) In order to coordinate the policies and operations of the representatives of the United States on the Fund and the Bank and of all agencies of the Government which make or participate in making foreign loans or which engage in foreign financial, exchange or monetary transactions, there is hereby established the National Advisory Council on International Monetary and Financial Problems (hereinafter referred to as the "Council"), consisting of the Secretary of the Treasury, as Chairman, the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the Chairman of the Board of Trustees of the Export-Import Bank of Washington.

(b) (1) The Council, after consultation with the representatives of the United States on the Fund and the Bank, shall recommend to the President general policy directives for the guidance of the representatives of the United States on the Fund and the Bank.

(2) The Council shall advise and consult with the President and the representatives of the United States on the Fund and the Bank on major problems arising in the administration of the Fund and the Bank.

(3) The Council shall coordinate, by consultation or otherwise, so far as is practicable, the policies and operations of the representatives of the United States on the Fund and the Bank, the Export-Import Bank of Washington and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions.

(4) Whenever, under the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the approval, consent or agreement of the United States is required before an act may be done by the respective institutions, the decision as to whether such approval, consent, or agreement, shall be given or refused shall (to the extent such decision is not prohibited by section 5 of this Act) be made by the Council, under the general direction of the President. No governor, executive director, or alternate representing the United States shall vote in favor of any waiver

of condition under article V, section 4, or in favor of any declaration of the United States dollar as a scarce currency under Article VII, section 3, of the Articles of Agreement of the Fund, without prior approval of the Council.

(5) The Council from time to time, but not less frequently than every six months, shall transmit to the President and to the Congress a report with respect to the participation of the United States in the Fund and the Bank.

(6) The Council shall also transmit to the President and to the Congress special reports on the operations and policies of the Fund and the Bank, as provided in this paragraph. The first report shall be made not later than two years after the establishment of the Fund and the Bank, and a report shall be made every two years after the making of the first report. Each such report shall cover and include: The extent to which the Fund and the Bank have achieved the purposes for which they were established; the extent to which the operations and policies of the Fund and the Bank have adhered to, or departed from, the general policy directives formulated by the Council, and the Council's recommendations in connection therewith; the extent to which the operations and policies of the Fund and the Bank have been coordinated, and the Council's recommendations in connection therewith; recommendations on whether the resources of the Fund and the Bank should be increased or decreased; recommendations as to how the Fund and the Bank may be made more effective; recommendations on any other necessary or desirable changes in the Articles of Agreement of the Fund and of the Bank or in this Act; and an over-all appraisal of the extent to which the operations and policies of the Fund and the Bank have served, and in the future may be expected to serve, the interests of the United States and the world in promoting sound international economic cooperation and furthering world security.

(7) The Council shall make such reports and recommendations to the President as he may from time to time request, or as the Council may consider necessary to more effectively or efficiently accomplish the purposes of this Act or the purposes for which the Council is created.

(c) The representatives of the United State on the Fund and the Bank, and the Export - Import Bank of Washington (and all other agencies of the Government to the extent that they make or participate in the making of foreign loans or engage in foreign financial, exchange or monetary transactions) shall keep the Council fully informed of their activities and shall provide the Council with such further information or data in their possession as the Council may deem necessary to the appropriate discharge of its responsibilities under this Act.

### Certain Acts Not to Be Taken Without Authorization

Sec. 5. Unless Congress by law authorizes such action, neither the President nor any person or agency shall on behalf of the United States (a) request or consent to any change in the quota of the United States under article III, section 2, of the Articles of Agreement of the Fund; (b) propose or agree to any change in the par value of the United States dollar under article IV, section 5, or article XX, section 4, of the Articles of Agreement of the Fund, or approve any general change in par values under article IV, section 7; (c) subscribe to additional shares of stock under article II, section 3, of the Articles of Agreement of the Bank; (d) accept any amendment under article XVII of the Articles of Agreement of the Fund or article VIII of the Articles of Agreement of the Bank; (e) make any loan to the Fund or the Bank. Unless Congress by law authorizes such action, no governor or alternate appointed to represent the United States shall vote for an increase of capital stock of the Bank under article II, section 2, of the Articles of Agreement of the Bank.

### Depositories

Sec. 6. Any Federal Reserve bank which is requested to do so by the Fund or the Bank shall act as its depository or as its fiscal agent, and the Board of Governors of the Federal Reserve System shall supervise and direct the carrying out of these functions by the Federal Reserve banks.

### Payment of Subscriptions

Sec. 7. (a) Subsection (c) of section 10 of the Gold Reserve Act of 1934, as amended (U. S. C., title 31, sec. 822a), is amended to read as follows:

"(c) The Secretary of the Treasury is directed to use $1,800,000,000 of the fund established in this section to pay part of the subscription of the United States to the International Monetary Fund; and any repayment thereof shall be covered into the Treasury as a miscellaneous receipt."

(b) The Secretary of the Treasury is authorized to pay the balance of $950,000,000 of the subscription of the United States to the Fund not provided for in subsection (a) and to pay the subscription of the United States to the Bank from time to time when payments are required to be made to the Bank. For the purpose of making these payments, the Secretary of the Treasury is authorized to use as a public-debt transaction not to exceed $4,125,000,000 of the proceeds of any securities hereafter issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include such purpose. Payment under this subsection of the subscription of the United States to the Fund or the Bank and repayments thereof shall be treated as public-debt transactions of the United States.

(c) For the purpose of keeping to a minimum the cost to the United States of participation in the Fund and the Bank, the Secretary of the Treasury, after paying the subscription of the United States to the Fund, and any part of the subscription of the United States to the Bank required to be made under article II, section 7 (i), of the Articles of Agreement of the Bank, is authorized and directed to issue special notes of the United States from time to time at par and to deliver such notes to the Fund and the Bank in exchange for dollars to the extent permitted by the respective Articles of Agreement. The special notes provided for in this subsection shall be issued under the authority and subject to the provisions of the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act are extended to include the purposes for which special notes are authorized and directed to be issued under this subsection, but such notes shall bear no interest, shall be non-negotiable, and shall be payable on demand of the Fund or the Bank, as the case may be. The face amount of special notes issued to the Fund under the authority of this subsection and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Fund, and the face amount of such notes issued to the Bank and outstanding at any one time shall not exceed in the aggregate the amount of the subscription of the United States actually paid to the Bank under article II, section 7 (i), of the Articles of Agreement of the Bank.

(d) Any payment made to the United States by the Fund or the Bank as a distribution of net income shall be covered into the Treasury as a miscellaneous receipt.

### Obtaining and Furnishing Information

Sec. 8. (a) Whenever a request is made by the Fund to the United States as a member to furnish data under article VIII, section 5, of the Articles of Agreement of the Fund, the President may, through any agency he may designate, require any person to furnish such information as the President may determine to be essential to comply with such request. In making such determination the President shall seek to collect the information only in such detail as is necessary to comply with the request of the Fund. No information so acquired shall be furnished to the Fund in such detail that the affairs of any person are disclosed.

(b) In the event any person refuses to furnish such information when requested to do so, the President, through any designated governmental agency, may by subpoena require such person to appear and testify or to appear and produce records and other documents, or both. In case of contumacy by, or refusal to obey a subpoena served upon any such person, the district court for any district in which such person is found or resides or transacts business, upon application by the President or any governmental agency designated by him, shall have jurisdiction to issue an order requiring such person to appear and give testimony or appear and produce records and documents, or both; and any failure to obey such order of the court may be punished by such court as a contempt thereof.

(c) It shall be unlawful for any officer or employee of the Government, or for any advisor or consultant to the Government, to disclose, otherwise than in the course of official duty, any information obtained under this section, or to use any such information for his personal benefit. Whoever violates any of the provisions of this subsection shall, upon conviction, be fined not more than $5,000, or imprisoned for not more than five years, or both.

(d) The term "person" as used in this section means an individual, partnership, corporation or association.

### Financial Transactions With Foreign Governments in Default

Sec. 9. The Act entitled "An Act to prohibit financial transactions with any foreign government in default on its obligations to the United States", approved April 13, 1934 (U. S. C., title 31, sec. 804a), is amended by adding at the end thereof a new section to read as follows:

"Sec. 3. While any foreign government is a member both of the International Monetary Fund and of the International Bank for Reconstruction and Development, this Act shall not apply to the sale or purchase of bonds, securities, or other obligations of such government or any political subdivision thereof or of any organization or association acting for or on behalf of such government or political subdivision, or to the making of any loan to such government, political subdivision, organization, or association."

### Jurisdiction and Venue of Actions

Sec. 10. For the purpose of any action which may be brought within the United States or its Territories or possessions by or against the Fund or the Bank in accordance with the Articles of Agreement of the Fund or the Articles of Agreement of the Bank, the Fund or the Bank, as the case may be, shall be deemed to be an inhabitant of the Federal judicial district in which its principal office in the United States is located, and any such action at law or in equity to which either the Fund or the Bank shall be a party shall be deemed to arise under the laws of the United States, and the district courts of the United States shall have original jurisdiction of any such action. When either the Fund or the Bank is a defendant in any such action, it may, at any time before the trial thereof, remove such action from a State court into the district court of the United States for the proper district by following the procedure for removal of causes otherwise provided by law.

### Status, Immunities and Privileges

Sec. 11. The provisions of article IX, sections 2 to 9, both inclusive, and the first sentence of article VIII, section 2 (b), of the Articles of Agreement of the Fund, and the provisions of article VI, section 5 (i), and article VII, sections 2 to 9, both inclusive, of the Articles of Agreement of the Bank, shall have full force and effect in the United States and its Territories and possessions upon acceptance of membership by the United States in, and the establishment of, the Fund and the Bank, respectively.

### Stabilization Loans by the Bank

Sec. 12. The governor and executive director of the Bank appointed by the United States are hereby directed to obtain promptly an official interpretation by the Bank as to its authority to make or guarantee loans for programs of economic reconstruction and the reconstruction of monetary systems, including long-term stabilization loans. If the Bank does not interpret its powers to include the making or guaranteeing of such loans, the governor of the Bank representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of explicitly authorizing the Bank, after consultation with the Fund, to make or guarantee such loans. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

### Stabilization Operations By the Fund

Sec. 13. (a) The governor and executive director of the Fund appointed by the United States are hereby directed to obtain promptly an official interpretation by the Fund as to whether its authority to use its resources extends beyond current monetary stabilization operations to afford temporary assistance to members in connection with seasonal, cyclical, and emergency fluctuations in the balance of payments of any member for current transactions, and whether it has authority to use its resources to provide facilities for relief, reconstruction, or armaments, or to meet a large or sustained outflow of capital on the part of any member.

(b) If the interpretation by the Fund answers in the affirmative any of the questions stated in subsection (a), the governor of the Fund representing the United States is hereby directed to propose promptly and support an amendment to the Articles of Agreement for the purpose of expressly negativing such interpretation. The President is hereby authorized and directed to accept an amendment to that effect on behalf of the United States.

### Further Promotion of International Economic Relations

Sec. 14. In the realization that additional measures of international economic cooperation are necessary to facilitate the expansion and balanced growth of international trade and render most effective the operations of the Fund and the Bank, it is hereby declared to be the policy of the United States to seek to bring about further agreement and cooperation among nations and international bodies, as soon as possible, on ways and means which will best reduce obstacles to and restrictions upon international trade, eliminate unfair trade practices, promote mutually advantageous commercial relations, and otherwise facilitate the expansion and balanced growth of international trade and promote the stability of international economic relations. In considering the policies of the United States in foreign lending and the policies of the Fund and the Bank, particularly in conducting exchange transactions, the Council and the United States representatives on the Fund and the Bank shall give careful consideration to the progress which has been made in achieving such agreement and cooperation.

Approved July 31, 1945.

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## Facilities of FHA to Aid Private Business

Citing the facilities of the Federal Housing Administration to aid private enterprise in the postwar period in providing homes for America, FHA Commissioner Raymond M. Foley stated on Aug. 10 that the Administration will be ready to back private lending institutions with authority to insure more than $2,000,000,000 in loans to help families build, buy or improve their homes. In addition, by Act of Congress the President is empowered to extend to the FHA authority to insure another billion dollars for home financing. He further said:

Since it began operation FHA has helped more than 6,000,000 families to build, buy or improve their homes. Private financial institutions operating under the FHA program have advanced more than $8,000,000,000 to make this possible. Over $3,500,000,000 of these loans have been liquidated.

The insurance authorizations which are available are about evenly divided between Title II operations, insurance of loans to build or buy a home, and Title I operations, insurance of property improvement loans.

At the end of June, FHA's estimated liability under Title II amounted to $3,039,800,133, leaving an estimated unused authorization of $960,199,867 which can be increased by $1,000,000,000 with Presidential approval.

FHA's authorization to insure loans on existing houses, its chief operation under Title II during the war, extends to July 1, 1946. There is no time limit on insurance of loans for new construction. During the fiscal year ending June 30, volume of insurance on existing construction set a five year record.

However, during the first six months of this year insurance of new construction loans under Title II was slowly increasing and at the end of June insurance had been written on 3,263 units of which 1,377 were insured in June alone. There were only 208 such units insured all during 1944.

Title I operations, the insurance authorization for which extends to July 1, 1947, also showed a substantial increase during the first six months of the year and more than 5,000,000 such loans, amounting to around $2,000,000,000 have been insured since the start of the FHA program in June 1934.

Title II operations have been self-sustaining since 1940 and currently and for some time past Title I operations have been likewise.

During the war period FHA operated principally under Title VI, a special amendment to the National Housing Act permitting insurance of wartime risks taken by private builders in constructing homes for migrating war workers. This program is in its final phases and some 434,000 units of war housing have been or will be produced under the program.

# The State of Trade

(Continued from page 763),

ly easier, with December schedules promising the first openings.

Pig iron producers scrutinized possibilities of coal shortages this winter. Assuming continuation of heavy pig iron demand, lack of coking quality coal necessary to pig iron production, the trade magazine observes, "could strike a heavy blow whose repercussions would be felt almost immediately by the foundries, if not the steel industry itself. Merchant pig iron producers, chief suppliers to the foundry industry, are panting to meet demand current in many districts."

The Armed Services are progressing rapidly, states the magazine, toward a direct settlement program for termination claims by steel producers. Instead of securing payment from customers whose manufacturing contracts have been canceled, the mills will negotiate directly with a contract officer. Indicating that the wheels of this program are beginning to turn, one major steel producer last week reported that a contract officer had been assigned to it.

The American Iron and Steel Institute announced last Tuesday that the operating rate of steel companies (including 94% of the industry) will be 82.5% of capacity for the week beginning August 13, compared with 87.9% one week ago. This week's operating rate represents a decrease of 6.1% from last week's rate and is equivalent to 1,511,100 net tons of steel ingots and castings, compared to 1,610,000 net tons last week and 1,719,600 tons one year ago.

**Railroad Freight Loading**—Carloadings of revenue freight for the week ended Aug. 4, 1945, totaled 863,910 cars, the Association of American Railroads announced. This was a decrease of 22,361 cars, or 2.5% below the preceding week this year and 25,684 cars, or 2.9% below the corresponding week of 1944. Compared with a similar period of 1943, a decrease of 8,223 cars, or 0.9%, is shown.

**Electric Production**—The Edison Electric Institute reports that the output of electricity increased to approximately 4,432,304,000 kwh. in the week ended Aug. 4, 1945, from 4,434,841,000 kwh. in the preceding week. Output for the week ended Aug. 4, 1945, was 0.7% above that for the corresponding weekly period one year ago.

Consolidated Edison Co. of New York reports system output of 163,500,000 kwh. in the week ended Aug. 5, 1945, comparing with 171,600,000 kwh. for the corresponding week of 1944, or a decrease of 4.6%.

Local distribution of electricity amounted to 161,700,000 kwh., compared with 160,800,000 kwh. for the corresponding week of last year, an increase of 0.6%.

**Wholesale Commodity Index Moderately Lower** — Commodity price fluctuations were small last week and the Dun & Bradstreet daily wholesale commodity price index moved in a narrow range, closing at 175.51 on Aug. 7, as against 176.28 a week previous and 170.99 at this time last year.

Grain markets generally held to a firm undertone last week although trading volume declined from the previous week. Cash wheat was fairly active and higher with good demand coming from mill and elevator interests. Trade in oats was active and prices rose in the face of the heaviest receipts reported since 1938. Sales of cash corn remained small due to lack of offerings. Flour bookings declined sharply following announcement of the August subsidy rates. Mills continued operating at or close to capacity schedules and were generally well sold up for the balance of 1945.

Limited offerings of hogs were far below the demand and the small receipts were readily cleared at ceiling prices. Offerings of lard and fats continued on a restricted basis and with both foreign and domestic demand active, the limited supplies fell far short of requirements, despite an increase of over a million pounds in stocks during July.

Volume of sales in leading cotton markets was relatively small last week, as traders awaited developments in the Government's new pricing policies for the coming season. Price were quite steady through most of the period but trended somewhat easier toward the close. Mill buying increased slightly in spot markets. Activity in the early part of the week was stimulated by reports that Government efforts to expand production of cotton textiles had finally begun to show results. Another factor was the general belief that the new cotton crop would be comparatively small.

Business in the Boston wool market showed some improvement last week. Domestic fine and half-blood staple grades met with good demand but pulled wools were quiet. There was more activity in foreign wools. Spot and to-arrive fine Australian wools were in demand and volume of sales was good. Some betterment was noted in shipping conditions from South America and the Cape.

**Wholesale Food Price Index Drops in Week**—Still holding in a narrow groove, the wholesale food price index, compiled by Dunn & Bradstreet, Inc., dropped one cent further to stand at $4.09 on Aug. 7. This contrasted with $4.01 at this time last year, a rise of 2.0%. Only eggs advanced during the week, with declines listed for wheat, rye, oats, potatoes, sheep and lambs.

The index represents the sum total of the price per pound of 31 foods in general use.

**Wholesale and Retail Trade**—Retail trade volume for the country as a whole, according to Dun & Bradstreet, Inc., declined the past week only slightly below the preceding period. Sales continued to be maintained at a high level and were moderately above the corresponding week of last year. Summer and fall merchandise was received equally well by the consumer. Food sales, despite continued shortages, equalled last year's volume.

Scattered clearance sales were used as an added incentive to continue the purchasing of low-priced cottons. In women's wear more fall specialties in higher-priced lines were being featured than last year; leather gloves and handbags remained scarce. Luxurious lingerie sets sold in greater volume. The validity of shoe stamp No. 4 did not create any rush to shoe stores.

Instead of following the usual seasonal pattern, the heavy demand for all types of piece goods remained fairly constant. In children's apparel jumpers, plaid suits, and bright sweaters were leaders in early buying. There was a silght increase in fur sales over last week and last year with customers asking for high quality coats.

Supplies of household items have improved; woodenware and glass cooking-ware continued to be accepted in place of aluminum utensils and turnover was rapid. Hardware stores reported that steel products and paints were more easily obtainable; sales volume improved moderately over a year ago. For the first time in months furniture was featured and sales increased over last week; principal demand was for bedroom and living room furniture.

Food volume was lower than in the previous week but even with last year. Many small bakeries closed down for a two weeks' vacation because of the sugar shortage. Veal and lamb supplies continued to hold their gain through the week. The supply of fresh eggs declined seasonally, but milk and butter were plentiful. Stocks of some green vegetables increased. With most fruit juices point free sizable stocks moved rapidly.

Retail sales for the country were estimated at 8 to 12% above a year ago. Regional percentages increases were: New England, 5 to 9; East, 10 to 14; Middle West, 7 to 11; Northwest, 8 to 12; South, 3 to 6; Southwest, 12 to 16; Pacific Coast, 9 to 13.

Wholesale trade turned upward during the week, with a slight increase in grocery volume and in infux of buyers into the fall coat and suit markets. Despite retailers' attempting to lower stocks of wartime hardware and household items, wholesale hardware volume was maintained by the gradual increase in supplies. Lumber volume was even with previous weeks, but paper sales were higher than both last week and last year. Drug store sales rose over a week and a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 4, 1945, increased by 22% and compared with a gain of 15% in the preceding week. For the four weeks ended Aug. 4, 1945, sales increased by 17%, and for the year to date by 13%.

For New York retail sales last week showed continued activity. Early elimination of both M-388 and MAP from the control setup is looked for by textile and apparel organizations. Buyers of home furnishings veered away from stocking up too heavily on Victory merchandise. Food sales at wholesale suffered from merchandise shortages, while increased supplies of fresh vegetables, meats and butter improved retail trade.

According to the Federal Reserve Bank's index, department store sales in New York City for the weekly period to Aug. 4, 1945, increased by 31% above the same period of last year. This compared with a gain of 30% in the preceding week. For the four weeks ended Aug. 4, 1945, sales rose by 20% and for the year to date by 14%.

## U. S. and Switzerland Sign Air-Transport Pact

The signing by the United States and Swiss Governments of a reciprocal air-transport agreement providing transit rights over their respective territories and airport facilities at New York and Geneva was made known in special Washington advices Aug. 5 to the New York "Times" which also had the following to say:

The agreement, incorporating the "Five Freedoms" of the recent Chicago aviation conference, is similar to bilateral agreements already concluded with Sweden, Denmark, Spain, Iceland and Ireland.

Authorized American airlines will have the right to fly over, and make non-traffic stops in Swiss territory, and also will have the right to pick up, and discharge, international traffic in passengers, cargo and mail at Geneva, or some other suitable airport.

The proposed United States air route serving Switzerland is one of several recently announced by the Civil Aeronautics Board. It extends from the United States to the Middle East via Ireland, France, Switzerland, Italy, Greece, Egypt and points in the Near East.

Under the reciprocal arrangement, a Swiss airline will have the right to operate over the North Atlantic to New York.

## Atomic Bomb Force to Shorten Pacific War Warning to Japan by President Truman

The mightiest explosive force adopted by man from the universal elements has been released against the Japanese nation, the atomic bomb. The first one, dropped on Hiroshima, Japanese army base, at about 7.20 p.m., Aug. 5, United States Eastern war time, resulted in untold devastation which can only be imagined from the comparative description of the bomb—containing more power than 20,000 tons of TNT and producing more than 2,000 times the blast of the most powerful bomb ever dropped before, according to the Associated Press from Washington, Aug. 6. Both President Truman and Secretary of War Stimson issued statements on that date bearing on the dropping of the atomic bomb on Japan. President Truman said that the atomic bomb was the answer to Tokyo's refusal to surrender. The President in his statement said:

"It was to spare the Japanese people from utter destruction that the ultimatum of July 26 was issued at Potsdam. Their leaders promptly rejected that ultimatum. If they do not now accept our terms they may expect a rain of ruin from the air, the like of which has never been seen on this earth. Behind this air attack will follow sea and land forces in such numbers and power as they have not yet seen and with the fighting skill of which they are already well aware."

Development of the bomb is the culmination of three years' work by Allied scientists, industry, labor and military forces, Secretary of War Stimson stated, and added, according to the Associated Press; that this ability to release atomic energy on a large scale in an atomic bomb raises the prospect that such energy may have a big place in peacetime industrial purposes.

"Already in the course of producing one of the elements much energy is being released, not explosively but in regulated amounts," he said. "This energy, however, is in the form of heat at a temperature too low to make practicable the operation of a conventional power plant. It will be a matter of much further research and development to design machines for the conversion of atomic energy into useful power."

Secretary Stimson said the atomic bomb had been developed with the full knowledge of and cooperation of Britain and Canada and substantial patent controls on the weapon had been obtained in those countries. President Roosevelt and Prime Minister Churchill many months ago decided that all work on the bomb should be concentrated in the United States in order to bring about quicker development of the weapon and to eliminate duplication.

The full text of the statement by President Truman announcing the use of an atomic bomb for the first time in history was given as follows in Associated Press advices from Washington Aug. 6:

"Sixteen hours ago an American airplane dropped one bomb on Hiroshima, an important Japanese Army base. That bomb had more power than 20,000 tons of TNT. It had more than 2,000 times the blast power of the British 'Grand Slam' which is the largest bomb ever yet used in the history of warfare.

"The Japanese began the war from the air at Pearl Harbor. They have been repaid many fold. And the end is not yet. With this bomb we have now added a new and revolutionary increase in destruction to supplement the growing power of our armed forces. In their present form these bombs are now in production and even more powerful forms are in development.

"It is an atomic bomb. It is a harnessing of the basic power of the universe. The force from which the sun draws its power has been loosed against those who brought war to the Far East.

"Before 1939 it was the accepted belief of scientists that it was theoretically possible to release atomic energy. But no one knew any practical method of doing it.

"By 1942, however, we knew that the Germans were working feverishly to find a way to add atomic energy to the other engines of war with which they hoped to enslave the world. But they failed. We may be grateful to Providence that the Germans got the VIs and the V2s late and in limited quantities and even more grateful that they did not get the atomic bomb at all.

"The battle of the laboratories held fateful risks for us as well as the battles of the air, land and sea, and we have now won the battle of the laboratories as we have won the other battles.

"Beginning in 1940, before Pearl Harbor, scientific knowledge useful in the war was pooled between the United States and Great Britain, and many priceless helps to our victories have come from that arrangement. Under that general policy, the research on the atomic bomb was begun. With American and British scientists working together, we entered the race of discovery against the Germans.

"The United States had available the large number of scientists of distinction in the many needed areas of knowledge. It had the tremendous industrial and financial resources necessary for the project, and they could be devoted to it without undue impairment of other vital war work.

"In the United States the laboratory work and the production plants, on which a substantial start had already been made, would be out of reach of enemy bombing, while at that time Britain was exposed to constant air attack and was still threatened with the possibility of invasion.

"For these reasons Prime Minister Churchill and President Roosevelt agreed that it was wise to carry on the project here. We now have two great plants and many lesser works diverted to the production of atomic power. Employment during peak construction numbered 125,000, and more than 65,000 individuals are even now engaged in operating the plants. Many have worked there for two and a half years. Few know what they have been producing. They see great quantities of material going in, and they see nothing coming out of these plants, for the physical size of the explosive charge is exceedingly small. We have spent $2,000,000,000 on the greatest scientific gamble in history, and won.

"But the greatest marvel is not the size of the enterprise, its secrecy, nor its cost, but the achievement of scientific brains in putting together infinitely complex pieces of knowledge held by many men in different fields of science into a workable plan. And hardly less marvelous has been the capacity of industry to design, and of labor to operate, the machines and methods to do things never done before so that the brain child of many minds came forth in physical shape and performed as it was supposed to do.

"Both science and industry worked under the direction of the United States Army, which achieved a unique success in managing so diverse a problem, in the advancement of knowledge in an amazingly short time.

"It is doubtful if such another combination could be got together in the world. What has been done is the greatest achievement of organized science in history.

was done under high pressure nd without failure.

"We are now prepared to obliterate more rapidly and completely every productive enterprise the apanese have above ground in ny city. We shall destroy their ocks, their factories and their ommunications. Let there be no istake; we shall completely detroy Japan's power to make war.

"It was to spare the Japanese eople from utter destruction that e ultimatum of July 26 was isued at Potsdam. Their leaders romptly rejected that ultimatum. f they do not now accept our erms, they may expect a rain of uin from the air, the like of which as never been seen on this earth. Behind this air attack will follow ea and land forces in such numbers and power as they have not yet seen and with the fighting kill of which they are already well aware.

"The Secretary of War, who has kept in personal touch with all phases of the project, will immediately make public a statement giving further details.

"His statement will give facts concerning the sites at Oak Ridge near Knoxville, Tenn., and at Richland near Pasco, Wash., and an installation near Santa Fe, N. M. Although the workers at the sites have been making materials to be used in producing the greatest destructive force in history, they have not themselves been in danger beyond that of many other occupations, for the utmost care has been taken of their safety.

"The fact that we can release atomic energy ushers in a new era in man's understanding of nature's forces. Atomic energy may in the future supplement the power that now comes from coal, oil, and falling water, but at present it cannot be produced on a basis to compete with them commercially. Before that comes there must be a long period of intensive research.

"It has never been the habit of the scientists of this country or the policy of this Government to withhold from the world scientific knowledge. Normally, therefore, everything about the work with atomic energy would be made public.

"But under present circumstances it is not intended to divulge the technical processes of production of all the military applications, pending further examination of possible methods of protecting us and the rest of the world from the danger of sudden destruction.

"I shall recommend that the Congress of the United States consider promptly the establishment of an appropriate commission to control the production and use of atomic power within the United States. I shall give further consideration and make further recommendations to the Congress as to how atomic power can become a powerful and forceful influence toward the maintenance of world peace."

## Money in Circulation

The Treasury Deparement in Washington has issued its customary monthly statement showing the amount of money in circulation after deducting the money held in the U. S. Treasury and by Federal Reserve Banks and agents. The figures this time are those of June 30, 1945, and show that the money in circulation at that date (including, of course, that held in bank vaults of member banks of the Federal Reserve System) was $26,746,253,483, as against $26,527,895,787 on May 31, 1945, and $22,504,341,539 on June 30, 1944, and compares with $5,698,214,612 on Oct. 31, 1920. Just before the outbreak of the first World War, that is, on June 30, 1914, total was $3,459,434,174.

## Redemption of Certain Netherlands Currency

Under date of Aug. 11 Allan Sproul, President of the Federal Reserve Bank of New York, announced that "the Netherlands authorities have now made arrangements whereby, up to and including Aug. 18, 1945, guilder currency notes heretofore issued by De Nederlandsche Bank in denominations of 200, 300, 500 and 1,000 guilders may be forwarded to the Federal Reserve Bank of New York for account of the Netherlands Government accompanied by applications for the redemption of such notes. These arrangements, says the announcement, "are substantially the same as the arrangements outlined in our circular dated July 24, 1945, for the handling, up to and including Aug. 4, 1945, of guilder currency notes in denominations of 100 guilders or less."

Mr. Sproul's advices of Aug. 11 to banks and trust companies in the district further said:

"Such notes in denominations of 200, 300, 500 and 1,000 guilders should be forwarded to the Federal Reserve Bank of New York accompanied by a written application for redemption of the notes, *in duplicate*, sworn to before a notary public or similar officer, containing the following information: (1) The full name, address, nationality and occupation of the applicant. (2) If the applicant is not the owner the same particulars should also be given about the owner. (3) The number and denomination of each note, and the total amount of notes deposited. (4) A full statement of the circumstances under which the notes were acquired, including how, when, where, from whom and for what purpose. (5) What the applicant knows concerning the circumstances under which the notes were imported into the United States, including the names of the persons participating therein, the date of importation and the date of exportation from the Netherlands, whether or not such exportation was authorized by the Netherlands Exchange Control and the reason if not so authorized. If the applicant has no knowledge or information concerning such circumstances he should so state. (6) That the owner of such notes holds no other Netherlands guilder notes than those listed in such application and has made no other application for redemption of such notes. Any available documentary evidence in support of such application should be attached thereto. If such notes were included in a report filed on Treasury Department form No. TFR-300 or TFR-500, it would be helpful for the applicant to state that fact.

"The Federal Reserve Bank of New York will receive and hold all such notes for account of the Netherlands Government, will give the holder a receipt and will transmit the accompanying statement to the appropriate Netherlands officials. It is our understanding that if the Netherlands authorities are satisfied that the notes are genuine and that they were acquired legitimately the holder will be paid therefor in United States dollars at the rate of $37.38 per 100 guilders.

"The notes and statements should be sent to Federal Reserve Bank of New York, Foreign Department, Federal Reserve P. O. Station, New York 7, N. Y., at the expense and risk of the holder, and they may be sent direct or through the holder's bank. The Federal Reserve Bank of New York is not authorized to receive any notes after Aug. 18, 1945, unless mailed in an envelope postmarked not later than Aug. 18, 1945, or forwarded by a bank with a statement to the effect that they were received on or before Aug. 18, 1945."

## Rumania & Finland Recognized by Russia

Joseph C. Grew, Acting Secretary of State, has disclosed that Russia has made known to our State Department that she has resumed diplomatic relations with the present governments of Rumania and Finland. In reporting the announcement in a special dispatch from Washington on Aug. 6, the New York "Times" points out that this marks the first official step on the part of one of the Big Three governments to implement decisions taken at the recent Potsdam meeting with regard to the clearing up of the "present anomalous position" of several European countries.

In publishing the announcement Mr. Grew made no comment as to the position of this government with respect to the two governments of Finland and Rumania, the "Times" report stated, and continued:

In the Potsdam communique it was stated that the three governments had agreed to examine, each separately in the near future, the question of establishing diplomatic relations with Bulgaria and Hungary, as well as with Finland and Rumania, and that their decisions would be made in the light of "prevailing conditions."

Following the occupation of Finland and Rumania by the Red armies, provisional local governments were set up with the advice of Russian representatives but although they have functioned for several months the western Allies have not yet moved to resume relations with either country. Allied control commissions have been sent to both Finland and Rumania, but only meager reports have been received thus far as to the prevailing situation.

The Rumanian regime under Premier Petru Groza, an old-time peasant leader, is largely composed of Socialists and Communists. In Finland Premier Juho K. Paasikivi heads the provisional regime.

One important factor governing the possible action of Britain and the United States toward recognizing the existing governments in the two countries is contained in the paragraph in the Potsdam report that says that the three governments "have no doubt" that representatives of the Allied press would soon have full freedom to report to the world on developments in the countries with whom it is desired to establish peace. Thus far Allied newspaper men have not been admitted either to Rumania or Finland for permanent reporting.

Re-establishment of relations with Russia will mean the immediate naming of a Russian Ambassador to both countries, and is an invitation to the other Allies to take similar action. Some form of recognition by all the Big Five will be necessary before the London Council of Foreign Ministers can act on the framing of the peace treaties.

The Potsdam communique added that resumption of relations with democratic governments in the liberated countries would be the preliminary to their admissions as members of the United Nations.

## Export-Import Bank Negotiating Loans

Stating that the Export-Import Bank is now negotiating substantial loans to eight liberated nations of Europe, advices from Washington to the Philadelphia bureau of the "Wall Street Journal," published in its issue of Aug. 6, said:

"President Truman gave the Government institution a green light by signing in Potsdam the bill expanding the bank's lending power to $3.5 billion from $700 million.

"The Export-Import Bank negotiations which are perhaps farthest advanced concern Norway, Denmark and the Netherlands. The Dutch loan, it is understood, would be primarily for use in the East Indies. Not quite so near final agreement are discussions with France. Belgium is probably among the other nations discussing lines of credit.

"The Soviet Government has as yet made no request for credit, it is stated.

"The credit transactions under discussion are of such magnitude that any two of them probably would equal the former lending capacity of the bank, according to officials. During the next month or two, it is anticipated, several will be brought to a close and publicly announced.

"The initial agreements will set up a 'line of credit' which can be drawn upon over a considerable part of the reconstruction period. Thus they will cover railroad rolling stock, utilities, equipment for hydroelectric and steam projects, and other heavy goods which may not be available for shipment in quantity immediately. Transport equipment will be the heaviest item.

"The 11-year-old Government bank, now headed by Wayne Chatfield Taylor, former Undersecretary of Commerce, intends also to place new emphasis on loans spurring export of American technology and management aid, such as is furnished by U. S. engineering firms. The widest field for this is not to be sought in Europe but in the industrially backward sections of the world.

"Profits of $42 million have been claimed by the bank in its career. Earnings have run heaviest since war broke out in Europe; they have been better than $7 million annually from 1940 on."

## Newspaper Advertising Begun By N. Y. S. E.

Newspaper advertising in more than 300 key cities throughout the country the week of Aug. 13 inaugurated a long-range program of public information on the services and economic functions of the New York Stock Exchange, it was announced by Emil Schram, President of the Exchange. The messages, to be published monthly, are scheduled in more than 400 daily newspapers with a total circulation in excess of 38,000,000.

"The program is aimed at a wider public acquaintanceship with the functions of organized financial markets and their essential place in our complex industrial society," Mr. Schram declared. He added: "The messages we intend to publish are definitely cautionary in warning the uninformed, the reckless, and those who cannot afford to take the risks inherent in the purchase and sale of securities, to stay out of the markets.

"Through the combined efforts of the New York Stock Exchange, other organized exchanges, the SEC and the companies whose securities are listed, a great body of factual information about listed securities is available to the investing public. Our program of advertising will urge that facts be obtained before use is made of our market facilities.

"Our organized markets are vital elements in the financial processes behind the production of more and better goods and the continuation of old jobs and the creation of new jobs in the future. This is a responsibility which the investing public shares. In facilitating the flow of investment funds, our markets are performing a necessary and important service.

"In the course of our national program we shall endeavor to bring about a better public understanding of the Exchange's functions and a broader awareness of the responsibilities involved in the ownership of securities."

## Russia Becomes Eligible for Lend-Lease On War Declaration Against Japan

The following Associated Press advices from Washington appeared in the "Wall Street Journal" of Aug. 9: Russia automatically became eligible for $1 billion in Lend-Lease aid when she declared war against Japan, Foreign Economic Administration officials disclosed.

Since the defeat of Germany she had been receiving only limited supplies under Lend-Lease via Siberia.

However, Foreign Economic Administrator Leo Crowley had foreseen the possibility that Russia would declare war against Japan when Congress appropriated additional funds for the program last June.

At his urging, it approved a provision that $1 billion of the $4,385,000,000 budget would be allotted for supplies to Russia in event she joined the Allies in the Pacific.

## Compulsory Military Training Held Unlikely

Proponents of the plan for compulsory peacetime military training foresee its defeat when put up to Congress as a legislative measure in the fall. They plan to make an effort to put through such legislation for all able bodied youths but anticipate failure, the Associated Press stated from Washington, Aug. 6. The House Post-war Military Policy committee, headed by Representative Woodrum (D.-Va.), has recommended the program. It has the solid backing of the Army, Navy and veterans' groups but is opposed by most churchmen, educators and organized labor.

Advocates of the measure, who contend that a peace-time draft is necessary as a future defense measure, blame delay in action and the current low ebb of Army sentiment on Capitol Hill for the dark outlook. The Associated Press added:

Another factor involved is President Truman's attitude. Pending a promised message to Congress this fall, the Chief Executive has declined to state his views on the subject.

Some Capitol Hill friends of the President, however, say that Mr. Truman is much more likely to suggest an enlarged and modernized National Guard rather than universal training legislation.

"We had a fighting chance up to about a month ago," one of the most ardent backers of postwar conscription said, "but recent actions of the Army have just about ruined that chance.

"Army relations with Capitol Hill are at their lowest in history because of dissatisfaction with their man power policies, their food program and other things. There are many of us who believe the Army has gone too far in hoarding man power, in cornering food, in imposing too severe sentences for violations of rules, and in the general treatment of personnel."

## Truman Suggests Next Parley in Washington

President Truman is reported to have suggested that if another Big Three meeting should be necessary that it be held at Washington, D. C., according to the Associated Press, Aug. 4. Premier Stalin's reply, said to have been given with a smile, was "God willing."

# Pres. Truman Reports on Potsdam

(Continued from first page)

class of society" and stated that the three great powers "are now more closely bound together in the great cause of a just and lasting peace."

The text of President Truman's address, as reported by the New York "Times," follows:

My Fellow Americans:

I have just returned from Berlin, the city from which the Germans intended to rule the world. It is a ghost city. The buildings are in ruins, its economy and its people are in ruins.

Our party also visited what is left of Frankfurt and Darmstadt. We flew over the remains of Kassel, Magdeburg and other devastated cities. German women and children and old men were wandering over the highways returning to bombed-out homes or leaving bombed-out cities, searching for food and shelter.

War has indeed come home to Germany and to the German people. It has come home in all the frightfulness with which the German leaders started and waged it.

The German people are beginning to atone for the crimes of the gangsters whom they placed in power and whom they wholeheartedly approved and obediently followed.

We also saw some of the terrible destruction which the war had brought to the occupied countries of Western Europe and to England.

How glad I am to be home again! And how grateful to Almighty God that this land of ours has been spared!

### Calls for Military Bases

We must do all we can to spare her from the ravages of any future breach of the peace. That is why, though the United States wants no territory or profit or selfish advantage out of this war, we are going to maintain the military bases necessary for the complete protection of our interests and of world peace. Bases which our military experts deem to be essential for our protection, and which are not now in our possession, we will acquire. We will acquire them by arrangements consistent with the United Nations Charter.

No one can foresee what another war would mean to our own cities and to our own people. What we are doing to Japan now—even with the new atomic bomb—is only a small fraction of what would happen to the world in a third world war.

That is why the United Nations are determined that there shall be no next war.

That is why the United Nations are determined to remain united and strong. We can never permit any aggressor in the future to be clever enough to divide us or strong enough to defeat us.

That was the guiding spirit in the conference at San Francisco.

That was the guiding spirit in the conference at Berlin.

That will be the guiding spirit in the peace settlement to come.

In the conference of Berlin it was easy for me to get along in mutual understanding and friendship with Generalissimo Stalin, with Prime Minister Churchill and later with Prime Minister Attlee.

Strong foundations of good-will and cooperation had been laid by President Roosevelt. And it was clear that those foundations rested on much more than the personal friendships of three individuals. There was a fundamental accord and agreement upon the objectives ahead of us.

Two of the three conferees of Teheran and Yalta were missing by the end of this conference. Each of them was sorely missed. Each had done his work toward winning this war. Each had made a great contribution toward establishing and maintaining a lasting world peace. Each of them seems to have been ordained to lead his country in its hour of greatest need. And so thoroughly had they done their jobs that we were able to carry on and to reach many agreements essential to the future peace and security of the world.

### No Secret Agreements

The results of the Berlin conference have been published. There were no secret agreements or commitments—apart from current military arrangements.

And it was made perfectly plain to my colleagues at the conference that, under our Constitution, the President has no power to make any treaties without ratification by the Senate of the United States.

I want to express my thanks for the excellent services which were rendered at this conference by Secretary of State Byrnes, and which were highly commended by the leaders of the other two powers. I am thankful also to the other members of the American delegation—Admiral Leahy, and Ambassadors Harriman, Davies and Pauley—and to the entire American staff. Without their hard work and sound advice the conference would have been unable to accomplish as much as it did.

The conference was concerned with many political and economic questions. But there was one strictly military matter uppermost in the minds of the American delegates. It was the winning of the war against Japan. On our program that was the most important item.

The military arrangements made at Berlin were of course secret. One of those secrets was revealed yesterday, when the Soviet Union declared war on Japan.

The Soviet Union, before she had been informed of our new weapon, agreed to enter the war in the Pacific. We gladly welcome into this struggle against the last of the Axis aggressors our gallant and victorious ally against the Nazis.

The Japs will soon learn some more of the military secrets agreed upon at Berlin. They will learn them first hand—and they will not like them.

### U. S. Proposals Considered

Before we met at Berlin, the United States Government had sent to the Soviet and British Governments our ideas of what should be taken up at the conference. At the first meeting our delegation submitted these proposals for discussion. Subjects were added by the Soviet and British Governments. But in the main the conference was occupied with the American proposals.

Our first non-military agreement in Berlin was the establishment of a Council of Foreign Ministers.

The council is going to be the continuous meeting ground of the five principal Governments, on which to reach common understanding regarding the peace settlements. This does not mean that the five Governments are going to try to dictate to, or dominate, other nations. It will be their duty to apply, so far as possible, the fundamental principles of justice underlying the Charter adopted at San Francisco.

Just as the meeting at Dumbarton Oaks drew up the proposals to be placed before the conference at San Francisco, so this Council of Foreign Ministers will lay the ground work for future peace settlements. This preparation by the council will make possible speedier, more orderly, more efficent and more cooperative peace settlements than could otherwise be obtained.

### The Council of Foreign Ministers

One of the first tasks of the Council of Foreign Ministers is to draft proposed treaties of peace with former enemy countries: Italy, Rumania, Bulgaria, Hungary and Finland.

These treaties, of course, will have to be passed upon by all the nations concerned. In our own country the Senate will have to ratify them. But we shall begin at once the necessary preparatory work. Adequate study now may avoid the planting of the seeds of future wars.

I am sure that the American people will agree with me that this Council of Foreign Ministers will be effective in hastening the day of peace and reconstruction.

We were anxious to settle the future of Italy first among the former enemy countries. Italy was the first to break away from the Axis. She helped materially in the final defeat of Germany. She has now joined us in the war against Japan. She is making real progress toward democracy.

A peace treaty with a democratic Italian government will make it possible for us to receive Italy as a member of the United Nations.

The Council of Foreign Ministers will also have to start the preparatory work for German peace settlement. But its final acceptance will have to wait until Germany has developed a government with which a peace treaty can be made. In the meantime, the conference of Berlin laid down those specific political and economic principles under which Germany will be governed by the occupying powers.

### Peace Principles

Those principles have been published. I hope that all of you will read them.

They seek to rid Germany of the forces which have made her so long feared and hated, and which have now brought her to complete disaster. They are intended to eliminate Nazism, armaments, war industries, the German General Staff and all its military tradition. They seek to rebuild democracy by control of German education, by reorganizing local government and the judiciary, by encouraging free speech, free press, freedom of religion and the right of labor to organize.

German industry is to be decentralized in order to do away with concentration of economic power in cartels and monopolies. Chief emphasis is to be on agriculture and peaceful industries. German economic power to make war is to be eliminated. The Germans are not to have a higher standard of living than their former victims, the people of the defeated and occupied countries of Europe.

We are going to do what we can to make Germany over into a decent nation, so that it may eventually work its way from the economic chaos it has brought upon itself back into a place in the civilized world.

### Reparations

The economic action taken against Germany at the Berlin conference included another most important item—reparations.

We do not intend again to make the mistake of exacting reparations in money and then lending Germany the money with which to pay. Reparations this time are to be paid in physical assets from those resources of Germany which are not required for her peacetime subsistence.

The first purpose of reparations is to take out of Germany everything with which she can prepare for another war. Its second purpose is to help the devastated countries to bring about their own recovery by means of the equipment and material taken from Germany.

At the Crimea Conference a basis for fixing reparations had been proposed for initial discussion and study by the Reparations Commission. That basis was a total amount of reparations of $20,000,000,000. Of this sum, one-half was to go to Russia, which had suffered more heavily in the loss of life and property than any other country.

But at Berlin the idea of attempting to fix a dollar value on the property to be removed from Germany was dropped. To fix a dollar value on the share of each nation would be a sort of guarantee of the amount each nation would get—a guarantee which might not be fulfilled.

Therefore it was decided to divide the property by percentages of the total amount available. We still generally agreed that Russia should get approximately half of the total for herself and Poland, and that the remainder should be divided among all the other nations entitled to reparations.

Under our agreement at Berlin, the reparations claims of the Soviet Union and Poland are to be met from the property located in the zone of Germany occupied by the Soviet Union, and from the German assets in Bulgaria, Finland, Hungary, Rumania and East Austria. The reparations claims of all other countries are to be met from property located in the western zones of occupation in Germany, and from German assets in all other countries. The Soviet waives all claims to gold captured by the Allied troops in Germany.

This formula of taking reparations by zones will lead to less friction among the Allies than the tentative basis originally proposed for study at Yalta.

The difficulty with this formula, however, is that the industrial capital equipment not necessary for German peace economy is not evenly divided among the zones of occupation. The western zones have a much higher percentage than the eastern zone, which is mostly devoted to agriculture and to the production of raw materials. In order to equalize the distribution and to give Russia and Poland their fair share of approximately 50% it was decided that they should receive, without any reimbursement, 10% of the capital equipment in the western zones available for reparations.

As you will note from the communique, a further 15% of the capital equipment in the western zones not necessary for Germany's peace economy is also to be turned over to Russia and Poland. But this is not free. For this property, Poland and Russia will give to the western zones an equal amount in value in food, coal and other raw materials. This 15%, therefore, is not additional reparations for Russia and Poland. It is a means of maintaining a balanced economy in Germany and providing the usual exchange of goods between the eastern part and the western part.

It was agreed at Berlin that the payment of reparations, from whatever zones taken, should always leave enough resources to enable the German people to subsist without sustained support from the other nations.

### Polish Question

The question of Poland was a most difficult one. Certain compromises about Poland had already been agreed upon at the Crimea Conference. They obviously were binding upon us at Berlin.

By the time of the Berlin Conference, the Polish Provisional Government of National Unity had already been formed; and it had been recognized by all of us. The new Polish Government had agreed to hold free and unfettered elections as soon as possible, on the basis of universal suffrage and secret ballot.

In accordance with the Crimea agreement, we sought the opinion of the Polish Provisional Government of National Unity with respect to its western and northern boundaries.

They agreed, as did we all, that the final determination of the borders could not be accomplished at Berlin, but must await the peace settlement. However, a considerable portion of what was the Russian zone of occupation in Germany was turned over to Poland at the Berlin Conference for administrative purposes until the final determination of the peace settlement.

Nearly every international agreement has in it the element of compromise. The agreement on Poland is no exception. No one nation can expect to get everything that it wants. It is a question of give and take—of being willing to meet your neighbor half-way.

In this instance there is much to justify the action taken. An agreement on some line—even provisionally—was necessary to enable the new Poland to organize itself, and to permit the speedier withdrawal of the armed forces which had liberated her from the Germans.

### 3,000,000 Poles to Return

In the area east of the Curzon Line there are over 3,000,000 Poles who are to be returned to Poland. They need room to settle. The new area in the west was formerly populated by Germans. But most of them had already left in the face of the invading Soviet Army. We were informed that there are only about a million and half Germans left.

The territory the Poles are to administer will enable Poland better to support its population. It will provide a short and more easily defensible frontier between Poland and Germany. Settled by Poles, it will provide a more homogenous nation.

The three powers also agreed to help bring about the earliest possible return to Poland of all Poles who wish to return, including soldiers, with the assurance that they would have all the rights of other Polish citizens.

The action taken at Berlin will help carry out the basic policy of the United Nations toward Poland—to create a strong, independent and prosperous nation with a government to be selected by the people themselves.

It was agreed to recommend that in the peace settlement a portion of East Prussia should be turned over to Russia. That, too, was agreed upon at Yalta. It will provide the Soviet Union, which did so much to bring about victory in Europe, with an ice-free port at the expense of Germany.

### Liberated Countries

At Yalta it was agreed, you will recall, that the three Governments would assume a common responsibility in helping to reestablish in the liberated and satellite nations of Europe governments broadly representative of the democratic elements in the population. That responsibility still stands. We all recognize it as a joint responsibility of the three Governments.

It was reaffirmed in the Berlin declarations on Rumania, Bulgaria and Hungary. These nations are not to be spheres of influence of any one power. They are now governed by Allied control commissions composed of representatives of the three Governments which met at Yalta and Berlin. These control commissions, it is true, have not been functioning completely to our satisfaction; but improved procedures were agreed upon at Berlin. Until these states are reestablished as members of the international family, they are the joint concern of all of us.

The American delegation was much disturbed over the inability of the representatives of a free press to get information out of the former German satellite nations. The three Governments agreed at Berlin that the Allied press would enjoy full freedom from now on to report to the world upon all developments in Rumania, Bulgaria, Hungary and Finland. The same agreement was reaffirmed also as to Poland.

### Waterways Control

One of the persistent causes for wars in Europe in the last two centuries has been the selfish control of the waterways of Europe. I mean the Danube, the Black Sea Straits, the Rhine, the Kiel Canal, and all the inland waterways of Europe which border upon two or more states.

The United States proposed at Berlin that there be free and unrestricted navigation of these inland waterways. We think this is important to the future peace and security of the world. We proposed that regulations for such navigation be provided by international authorities.

The function of the agencies would be to develop the use of the waterways and assure equal treatment on them for all nations. Membership on the agencies would include the United States, Great Britain, the Soviet Union and France, plus those states which border on the waterways.

Our proposal was considered by the conference and was referred to the Council of Ministers. There, the United States intends to press for its adoption.

### Victory Must Be Kept

Any man who sees Europe now must realize that victory in a great war is not something you can win once and for all, like a victory in a ball game. Victory in a great war is something that must be won and kept won. It can be lost after you have won it —if you are careless or negligent or indifferent.

Europe today is hungry. I am not talking about Germans. I am talking about the people of the countries which were overrun and devastated by the Germans, and particularly about the people of western Europe. Many of them lack clothes and fuel and tools and shelter and raw materials. They lack the means to restore their cities and their factories.

As the winter comes on, the distress will increase. Unless we do what we can to help, we may lose next winter what we won at such terrible cost last spring. Desperate men are liable to destroy the structure of their society to find in the wreckage some substitute for hope. If we let Europe go cold and hungry, we may lose some of the foundations of order on which the hope for world peace must rest.

We must help to the limit of our strength. And we will.

Our meeting at Berlin was the first meeting of the great Allies since the victory was won in Europe. Naturally our thoughts now turn to the day of victory in Japan.

### Japanese Warned

The British, Chinese and United States Governments have given the Japanese people adequate warning of what is in store for them. We have laid down the general terms on which they can surrender. Our warning went unheeded, our terms were rejected. Since then the Japanese have seen what our atomic bomb can do. They can foresee what it will do in the future.

The world will note that the first atomic bomb was dropped on Hiroshima, a military base. That was because we wished in the first attack to avoid, in so far as possible, the killing of civilians. But that attack is only a warning of things to come. If Japan does not surrender, bombs will have to be dropped on her war industries and, unfortunately, thousands of civilian lives will be lost. I urge Japanese civilians to leave industrial cities immediately and save themselves from destruction.

### Significance of Atomic Bomb

I realize the tragic significance of the atomic bomb.

Its production and its use were not lightly undertaken by this Government. But we knew that our enemies were on the search for it. We know now how close they were to finding it. And we knew the disaster which would come to this nation, and to all peaceful nations, to all civilizations, if they had found it first.

That is why we felt compelled to undertake the long and uncertain and costly labor of discovery and production.

We won the race of discovery against the Germans.

Having found the bomb we have used it. We have used it against those who attacked us without warning at Pearl Harbor, against those who have starved and beaten and executed American prisoners of war, against those who have abandoned all pretense of obeying international laws of warfare. We have used it in order to shorten the agony of war, in order to save the lives of thousands and thousands of young Americans.

We shall continue to use it until we completely destroy Japan's power to make war. Only a Japanese surrender will stop us.

The atomic bomb is too dangerous to be loose in a lawless world. That is why Great Britain, Canada and the United States, who have the secret of its production, do not intend to reveal that secret until means have been found to control the bomb so as to protect ourselves and the rest of the world from the danger of total destruction.

As far back as last May, Secretary of War Stimson, at my suggestion, appointed a committee upon which Secretary of State Byrnes served as my personal representative, to prepare plans for the future control of this bomb. I shall ask the Congress to cooperate to the end that its production and use be controlled, and that its power be made an overwhelming influence toward world peace.

We must constitute ourselves trustees of this new force—to prevent its misuse, and to turn it into the channels of service to mankind.

It is an awful responsibility which has come to us.

We thank God that it has come to us, instead of to our enemies; and we pray that He may guide us to use it in His ways and for His purposes.

### A Triumph for Democracy

Our victory in Europe was more than a victory of arms.

It was a victory of one way of life over another. It was a victory of an ideal founded on the rights of the common man, on the dignity of the human being, and on the conception of the State as the servant—not the master—of its people.

A free people showed that it was able to defeat professional soldiers whose only moral arms were obedience and the worship of force.

We tell ourselves that we have emerged from this war the most powerful nation in the world—the most powerful nation, perhaps, in all history. That is true, but not in the sense some of us believe it to be true.

The war has shown us that we have tremendous resources to make all the materials for war. It has shown us that we have skillful workers and managers and able generals, and a brave people capable of bearing arms.

All these things we knew before.

The new thing — the thing which we had not known—the thing we have learned now and should never forget, is this: that a society of self-governing men is more powerful, more enduring, more creative than any other kind of society, however disciplined, however centralized.

We know now that the basic proposition of the worth and dignity of man is not a sentimental aspiration or a vain hope or a piece of rhetoric. It is the strongest, most creative force now present in this world.

Now let us use that force and all our resources and all our skills in the great cause of a just and lasting peace!

The three great powers are now more closely than ever bound together in determination to achieve that kind of peace.

From Teheran, and the Crimea, from San Francisco, and Berlin—we shall continue to march together to a lasting peace and a happy world.

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## Foreign Bondholders Council Reports

Foreign Bondholders Protective Council, Inc., of New York, has published a report for the years 1941 through 1944, covering publicly offered dollar bonds issued and guaranteed by foreign governments and their political subdivisions. Outstanding in an amount of approximately $4.7 billion as of Dec. 31, 1944. Detailed information is given on the 1,079 issues of dollar bonds of 41 countries, with compilations showing status of service for each of the four years. Indicating that on Dec. 31, 1944, there were defaults of approximately 49½% of the outstanding dollar bonds the advices from the Council on Aug. 13 said:

At the beginning of 1941 about 43% of the outstanding dollar bonds were in default. Although there was a slight reduction of defaults in the Latin American group during the four years under report, the increase of defaults in Europe and the Far East, occasioned largely by war in those areas, raised the over-all percentage of defaults to approximately 49½% of the outstanding dollar bonds as of Dec. 31, 1944.

In 1944 full service—interest and sinking fund—was paid on 95% of the Canadian dollar bonds, on 44% of the Far Eastern and African totals, on 37% of the Latin-American issues (with 2% more paying full interest but less than contract sinking fund), and on 13% of European dollar bonds (with 8% more paying full interest but no sinking fund).

As of Dec. 31, 1944, national and guaranteed bonds represented 70% of the amount outstanding ($3.3 billion out of $4.7 billion), but accounted for 80% of the amount in default ($1.8 billion out of $2.3 billion). This has a bearing on statements frequently made that the defaults are largely those of the political sub-divisions.

It has been estimated by reliable authorities that between $8 and $9 billion principal amount of foreign dollar bonds, direct and guaranteed, were issued during the decade following the last war. The $4.7 billion outstanding at Dec. 31, 1944, represents bonds originally issued in the amount of $6.8 billions. This would seem to indicate that of the total original amount issued, bond issues which aggregated somewhere between $1.2 and $2.2 billions are wholly retired and no longer outstanding, and that of the remaining issues, another $2.1 billions have been redeemed or otherwise retired.

The status of service by areas is reported as follows by the Council.

**Canada**—This country with approximately $1.5 billion dollar bonds represents 33.4% of the grand total. Full service continued to be paid on the direct and guaranteed issues of the Dominion, of all the Provinces except one, and of all the Municipalities except two where readjustment or repayment offers were pending.

**Latin America**—Of the 16 countries having dollar bonds outstanding totaling approximately $1.4 billion, and representing 29.2% of the grand total, only one country in that area—Guatemala —had no dollar bonds in default. In five countries—Argentina, Cuba, Dominican Republic, Panama, and Uruguay—full payments were being made under readjustment or conversion plans. Of these, Argentina has always paid full service on her national dollar bonds. In one country—Haiti—full interest was continued, but less than contract sinking fund. Two other countries—Chile and Brazil—have offered readjustment plans on their dollar bonds. However, Chilean payments of interest are not on a current basis, and sinking fund moneys are being diverted for other purposes. On Brazilian bonds full payments are being made to the extent of acceptances of the readjustment plan offered in 1944. Two other countries—Colombia and Mexico—have offered readjustment plans on their national bond issues, but these are only a part of their dollar obligations. Five countries—Bolivia, Costa Rica, Ecuador, El Salvador, and Peru—continue in complete default on all outstanding dollar bond issues.

**Europe**—Out of 20 countries having approximately $1.2 billion dollar bonds outstanding, representing 26.3% of the grand total, three countries—Finland, France, and Ireland—were the only ones in that area paying full service on all issues, direct and guaranteed. Denmark and Norway paid full interest, but sinking fund and principal maturities were not met on Danish bonds, and there were sinking fund default on State and City issues of Norway. Belgium paid full service on certain numbered bonds of its national issues, but City bonds were in complete default.

European countries making some payments on their bonds before they were over-run or occupied, but which now are in complete default, are Austria, Czechoslovakia, Danzig, Estonia, Greece, Hungary, Lithuania, Poland, and Yugoslavia. Other countries long in default on their dollar bonds are Bulgaria, Germany, Italy, Roumania and Russia.

**Far East and Africa**—Of the approximately half a billion outstanding dollar bonds in this group, representing 11.1% of the total, the one African issue—Liberia—was served at a reduced rate agreed upon, and of the three Far Eastern countries, Australia maintained full service, while bonds of both China and Japan were in default.

As to total service obligations and performance the Council says:

It is worth noting that 55% of the outstanding dollar bonds are those of national governments, and that of that amount, 60% were in default at the end of 1944. This does not include corporate guaranteed issues, some of which are guaranteed by national governments while others are guaranteed by states and municipalities. For the most part of defaults in Latin America on the state, municipal, and guaranteed obligations are due to control over foreign exchange regulated by national governments which prohibit transfers abroad.

The amount required for annual debt payments in full is not an onerous one. Annual contractual interest on the $4.7 billion outstanding dollar bonds as of the end of 1944 has been computed at approximately $232 million, which amounts to slightly less than a 5% return on principal. Contractual sinking fund, because of its variable features, has not been calculated as of the same date, but if it were presumed to be at the rate of 2%, the total annual service charge would be increased by somewhat less than $100 million. Using such a flat sinking fund rate, with the actual interest charge, it is estimated that full service on all outstanding dollar bonds as of Dec. 31, 1944, could be paid by an annual outlay of approximately $95 to $96 million each for Canada, Latin America, and Europe, and of $39 million outlay for the Far East and Africa together.

Although, as above stated, the annual contract rate of interest in 1944 was slightly less than 5%, amounting to approximately $232 million, it has been calculated that the interest actually paid during that year amounted to less than $110 million, or only approximately 2 1/3% on the outstanding dollar bonds. 96% of the interest owed on Canadian bonds was paid, and, notwithstanding a war in the Far Eastern area, 40% of the interest owed on bonds of the Far East and Africa was paid, while Latin American countries paid less than 34% of the interest owed on their bonds. With a war occupying the whole of Europe in 1944, 19% of the interest owed on bonds of that area was paid.

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## Cotton Report as of Aug. 1, 1945

A United States cotton crop for 1945 of 10,134,000 bales of 500 pounds gross weight is forecast by the Crop Reporting Board, based upon information as of August 1. Such a production would be 17% or 2,096,000 bales less than production in 1944, and 2,159,000 bales less than average production for the 10-year (1934-43) period. The indicated lint yield per acre of 269.7 pounds is 39 pounds above average yield and has been exceeded in only three years, namely, 1944, 1942, and 1937. Allowing for average abandonment on the acreage in cultivation on July 1 the acreage for harvest this year is computed at 18,034,000 acres—10% below acreage harvested in 1944 and the smallest during any of the past 60 years.

The crop generally is late and there are numerous complaints of poor stands. Open weather during the last half of July, however, has been beneficial in most areas. Per acre yields are expected to be below those harvested last year in all States except Florida, New Mexico, and California. However, above-average yields are in prospect for all States, except Missouri, Oklahoma, California, Kentucky, and Illinois. In Missouri, and in the Delta counties of Kentucky, Illinois, and Tennessee, prospective yields are much below average as the result of continued and excessive rainfall during the spring months. Rain and floods also took a toll of the crop in the lowland counties of Mississippi, Arkansas and Louisiana, but for these States as a whole a good crop is in prospect. In Texas, the yield will be about average. In the north central and eastern parts of that State there has been too much rainfall for proper fruiting of the plants, and in northwest Texas the acreage is much reduced and the crop very late due to continued drought through mid-July. In the remainder of the State a good crop is in prospect.

No estimate of cottonseed production will be made until December. If the ratio of cotton lint to cottonseed is the same as the average for the past 5 years, however, production of cottonseed would be 4,179,000 tons.

The report from the Bureau of the Census shows 132,541 bales of cotton ginned from the crop of 1945 prior to August 1, compared with 48,182 bales for 1944 and 107,053 bales for 1943.

# Japan Surrenders

(Continued from first page)

Great Britain, the Soviet Union and China sent by American Secretary of State Byrnes under the date Aug. 11, the Jappanese Government have the honor to communicate to the Governments of the Four Powers as follows:

"(1) His Majesty the Emperor has issued an imperial rescript regarding Japan's acceptance of the provisions of the Potsdam Declaration.

"(2) His Majesty the Emperor is prepared to authorize and insure the signature by his Government and the Imperial General Headquarters of the necessary terms for carrying out the provisions of the Potsdam Declaration. His Majesty is also prepared to issue his commands to all the military, naval and air authorities of Japan and all the forces under their control, wherever located, to cease active operations, to surrender arms and to issue such other orders as may be required by the Supreme Commander of the Allied Forces for the execution of the above mentioned terms."

The following, according to Associated Press advices from Washington Aug. 14 (published in the New York "Times") is the text of the message of Secretary of State Byrnes to the Swiss Government with instructions for the formal Japanese surrender—delivered at 7 p. m. EWT Aug. 14 to Max Grassli, Charge d'Affaires at the Swiss Legation in Washington:

"Sir:

"With reference to your communication of today's date transmitting the reply of the Japanese Government to the communication which I sent through you to the Japanese Government on Aug. 11 on behalf of the Governments of the United States, China, the United Kingdom and the Union of Soviet Socialist Republics, which I regard as full acceptance of the Potsdam Declaration and of my statement of Aug. 11, 1945, I have the honor to inform you that the President of the United States directed that the following message be sent to you for transmission to the Japanese Government:

"'You are to proceed as follows:

"'(1) Direct prompt cessation of hostilities by Japanese forces, informing the Supreme Commander for the Allied Powers of the effective date and hour of such cessation.

"'(2) Send emissaries at once to the Supreme Commander for the Allied Powers with information of the disposition of the Japanese forces and commanders, and fully empowered to make any arrangements directed by the Supreme Commander for the Allied Powers to enable him and his accompanying forces to arrive at the place designated by him to receive the formal surrender.

"'(3) For the purpose of receiving such surrender and the carrying of it into effect General of the Army Douglas MacArthur has been designated as the Supreme Commander for the Allied Powers, and he will notify the Japanese Government of the time, place and other details of the formal surrender.'

"Accept, sir, the renewed assurances of my high consideration.

"James F. Byrnes,
"Secretary of State."

Confronted by the irresistible combined force of the atomic bomb and the hordes of the Russian Army descending upon them as new and unexpected menaces within the space of a few hours of each other, the Japanese nation had hurridly sent out pleas for peace through the official news agency, Domei, which at 7:30 a. m. Eastern war time, August 10, informed the world that Japan was willing to surrender under the terms of the Potsdam Proclamation if Emperor Hirohito might retain his sovereign power.

Shortly afterwards, as the Associated Press reported, Japanese representatives handed official notes, offering to surrender, to the Swiss Political Department (which is the neutral intermediary for the United States and China) and to the Swedish Minister of Foreign Affairs (Sweden represents Britain and Russia in negotiations with Japan).

The following is the text of the note received by the United States, addressed to Secretary of State Byrnes, from the Swiss Government relative to the surrender proposal, as conveyed by the Associated Press from Washington on August 11:

"Sir:

"I have the honor to inform you that the Japanese Minister to Switzerland, upon instructions received from his Government, has requested the Swiss Political Department to advice the Government of the United States of America of the following:

"In obedience to the gracious command of His Majesty the Emperor who, ever anxious to enhance the cause of world peace, desires earnestly to bring about a speedy termination of hostilities with a view to saving mankind from the calamities to be imposed upon them by further continuation of the war, the Japanese Government several weeks ago asked the Soviet Government, with which neutral relations then prevailed to render good offices in restoring peace vis-a-vis the enemy powers. Unfortunately, these efforts in the interest of peace having failed, the Japanese Government in conformity with the august wish of His Majesty to restore the general peace and desiring to put an end to the untold sufferings entailed by war as quickly as possible, have decided upon the following:

"'The Japanese Government are ready to accept the terms enumerated in the joint declaration which was issued at Potsdam on July 26, 1945, by the heads of the Governments of the United States, Great Britain and China, and later subscribed by the Soviet Government, with the understanding that the said declaration does not comprise any demand which prejudices the prerogatives of His Majesty as a sovereign ruler.'

"The Japanese Government sincerely hope that this understanding is warranted and desire keenly that an explicit indication to that effect will be speedily forthcoming.

"In transmitting the above message the Japanese Minister added that his Government begs the Government of the United States to forward its answer through the intermediary of Switzerland. Similar requests are being transmitted to the Governments of Great Britain and the Union of Soviet Socialist Republics through the intermediary of Sweden, as well as to the Government of China through the intermediary of Switzerland. The Chinese Minister at Berne has already been informed of the foregoing through the channel of the Swiss Political Department.

"Please be assured that I am at your disposal at any time to accept for and forward to my Government the reply of the Government of the United States.

"Accept, sir, the renewed assurances of my highest consideration."

GRASSLI,
Charge d'Affaires ad Interim
of Switzerland.

The surrender offer based on retention of the Emperor was met with mixed feelings throughout the world. The American public generally, as well as soldiers just arriving from Europe, expressed the opinion that an Emperor stripped of his temporal power and left merely as a religious symbol at the head of the Japanese people could make little difference in the fact of actual defeat. American Congressmen expressed opposing views on the subject, and soldiers lying wounded in Walter Reed Hospital, Washington, seemed little inclined to give any quarter to our treacherous enemy.

Russia, through the Moscow radio, was emphatic in declaring that unconditional surrender meant just that, and Japan should be given no opportunity to insert terms however innocuous. The Associated Press reported from Moscow on Aug. 10 that popular opinion was that the Red Army's Manchurian offensive had been the deciding factor behind the Japanese surrender offer.

In the United States, opinion was equally certain that President Truman's warning to the Japanese people in his broadcast of August 9 to surrender or be wiped out by atomic bombings was the impetus to the quickly following offer to come to terms. Speaking of the bomb's potential for utter devastation, the President had said: "We shall continue to use it until we completely destroy Japan's power to make war. Only a Japanese surrender will stop us."

On August 11, after consultation among the Allied powers on the Japanese proposal, the decision was reached to permit the Emperor to remain, at least temporarily, but subject to the Allied Supreme Military Commander who would immediately take possession of Japan.

The text of the communication by Secretary of State James F. Byrnes to Max Grassli, Charge d'Affaires of the Swiss Legation, who had transmitted the Japanese note, as released by the Associated Press from Washington, Aug. 11, follows:

"Sir:

"I have the honor to acknowledge receipt of your note of Aug. 10, and in reply to inform you that the President of the United States has directed me to send to you for transmission by your Government to the Japanese Government the following message on behalf of the Governments of the United States, the United Kingdom, the Union of Soviet Socialist Republics and China:

"With regard to the Japanese Government's message accepting the terms of the Potsdam Proclamation but containing the statement, 'with the understanding that the said declaration does not comprise any demand which prejudices the prerogatives of his Majesty as a sovereign ruler,' our position is as follows:

"From the moment of surrender the authority of the Emperor and the Japanese Government to rule the State shall be subject to the Supreme Commander of the Allied Powers, who will take such steps as he deems proper to effectuate the surrender terms.

"The Emperor will be required to authorize and insure the signature by the Government of Japan and the Japanese Imperial General Headquarters of the surrender terms necessary to carry out the provisions of the Potsdam Declaration, and shall issue his commands to all the Japanese military, naval and air authorities and to all of the forces under their control wherever located to cease active operations and to surrender their arms, and to issue such other orders as the Supreme Commander may require to give effect to the surrender terms.

"Immediately upon the surrender the Japanese Government shall transport prisoners of war and civilian internees to places of safety, as directed, where they can quickly be placed aboard Allied transports.

"The ultimate form of Government of Japan shall, in accordance with the Potsdam Declaration, be established—by the freely expressed will of the Japanese people.

"The armed forces of the Allied powers will remain in Japan until the purposes set forth in the Potsdam Declaration are achieved."

Accept, sir, the renewed assurances of my highest consideration,

JAMES F. BYRNES,
Secretary of State.

## From Washington Ahead Of The News

(Continued from first page)

peoples have always wanted peace and the better things of life, but they never have been able to attain them, because we would not cooperate in world affairs. Don't disappoint them now, said the State Department. Let the peoples of the world know that our Senate was not a hide-bound reactionary body, but a forward-looking something. The few Senators who opposed the treaty were smeared as men of the old order, as ostriches, as men who simply could not realize that the world had shrunk. All that was involved here was the question of whether a few high riders, land-holders in adjacent Mexico should have their land cultivated at the expense of the Californians or not. The issue was not decided on this basis.

The Senate, and apparently the country was world minded enough for the State Department then. What do you suppose it is going to be after the propaganda about the atomic bomb? Try to get your government to protect you when another nation is involved, in an issue involving another country, and see how far you will get.

A few weeks ago, the Senate passed the Bretton Woods agreement in this sort of atomsphere. There could be no analysis of it, no serious questioning as to whether it was what we should do. Anyone who did challenge it was an "isolationist." Yet, since there has come a change in the government of Britain, and our Government does not know whether the new British government will go along with the Bretton Woods pacts or not.

That world-mindedness with which our bureaucrats attempt to sell their enterprises will be tremendously accentuated by the atomic bomb. There is a serious question in the minds of some Washington political observers as to whether a better propganda job has not been done on this country than on Japan. When the story is slowly and calmly deliberated, it appears that the greatest effect of the bomb, outside of the damage it caused at Hiroshima and Nagasaki was on the minds of the American people. It was we that got the full propaganda blast. The Japs haven't gotten it. Our OWI likes to say and to get appropriations on their statement, that it has been beaming propaganda to the Japs and undermining their morale. There is not the slightest indication that the Jap populace listens to them. But the story of the atomic bomb was certainly beamed to the American people. They got the full effects of it. Truly amazing it is that the country which evolved the so-called bomb should be the most frightened country in the world about it today.

We are so frightened that your correspondent wouldn't be surprised that the Government will really succeed in keeping on controls over food and other items which our leaders consider Europe and China, and perhaps, Japan, should have. The strongest nation in the world, we cannot possibly run the risk of incurring the ill will of any of these countries — because they might get hold of that bomb and drop it on us. It is doubtful in all history that any people have been put in such a cheap position as the American people have been placed. They are pretty well beaten into taking it, too.

## U. S. and Chile Sign Commercial Agreement

The conclusion of a new commercial agreement with the United States by the Chilean Government was announced by the State Department at Washington on Aug. 2. Chile agreed to a unilateral reduction of tariff duties, without compensation, and proposed a treaty of friendship, commerce and navigation with the United States, said the State Department, according to special Washington advices to the New York "Times" on Aug. 2, which added:

The Chilean Government decision, accepted in an exchange of notes between the American Ambassador, Claude G. Bowers, and the Acting Minister of Foreign Affairs in Santiago, Luis Alamos Barros, will extend over one year and will be renewable unless superseded by a permanent commercial treaty.

The note of the Chilean Minister said the proposals were made in accordance with the economic objectives of the Atlantic Charter and the Inter-American Conference in Mexico City, because Chile wished to intensify commercial exchange with the United States and other allied nations.

The agreement may be denounced by either party upon 30 days' notice. It includes a detailed list of new rates for a long series of products, including many textiles, woolens, steel products, soap, medicines, clothing, tools and manufactured goods.

In accepting this provisional arrangement Ambassador Bowers expressed satisfaction that the Chilean Government desired to begin negotiations for a treaty of friendship, commerce and navigation and said the United States likewise was disposed to enter into such negotiations.

Advices Aug. 2 from Washington to the New York "Journal of Commerce" stated that the agreement concluded July 30, was made by Chile without any reductions on the part of the United States affecting the movement of Chilean goods here. These advices further said in part:

"The agreement does not come within the Reciprocal Trade Agreements Law. There is no trade agreement with Chile under the reciprocal trade pacts law.

"Affecting 82 items, the agreement was explained here as associated with France's recent action in terminating a Franco-Chilean commercial agreement, the benefits of which had been extended to the United States under Chile's most-favored-nation policy.

"Chile decided to continue the rate reductions—already carried in the Franco-Chilean agreements—in so far as they affected the United States, officials stated here today; hence the unilateral action of that Government in granting the concessions announced here today."

## Boushall Appointed by U. S. Chamber of Com.

Thomas C. Boushall, President of the Morris Plan Bank of Virginia, has been appointed to the Executive Committee of the Chamber of Commerce of the United States it was announced on Aug. 3. Mr. Boushall has been a member of the board of the Chamber since 1938. He has served on numerous committees of the Chamber and as Chairman of two of the committees on housing problems. At the present time he is Chairman of the Committee on Education and a member of the Committee on Nominations and the Committee on By-Laws.

Mr. Boushall represents the Third District, which comprises the states of Maryland, West Virginia, Virginia, North and South Carolina, and the District of Columbia.

## National Fertilizer Association Commodity Price Index Declines Slightly

The weekly wholesale commodity price index compiled by The National Fertilizer Association and made public on Aug. 13 declined slightly to 141.6 for the week ended Aug. 11, 1945, from 141.7 for the preceding week. A month ago the index stood at 141.2, and a year ago at 138.4 all based on the 1935-1939 average as 100. The Association's report added:

The decline in the farm products group index last week was more than enough to offset the advance in the foods and fuels groups. With the exception of the higher quotations for eggs all price changes in the farm products group were down. Cotton was down fractionally. The grains subgroup declined rather substantially with declines taking place in wheat, oats and rye. Lower prices for cattle, lambs and sheep were evenly offset by the higher prices for eggs. Timothy hay at New York was also lower. The foods group advanced slightly. The fuels index was fractionally higher and reached a new all-time peak because of a rise in the price for bituminous coal. All other groups of the index remained unchanged.

During the week 10 price series in the index declined and only 2 advanced; in the preceding week only 1 declined, while 8 advanced; in the second preceding week there were 5 declins and 6 advancs.

WEEKLY WHOLESALE COMMODITY PRICE INDEX
Compiled by The National Fertilizer Association
1935-1939=100*

| % Each Group Bears to the Total Index | Group | Latest Week 1945 Aug. 11, | Preceding Week 1945 Aug. 4, | Month Ago 1945 July 14, | Year Ago 1944 Aug. 12, |
|---|---|---|---|---|---|
| 25.3 | Food | 144.2 | 144.0 | 142.4 | 141.4 |
| | Fats and Oils | 145.0 | 145.0 | 145.2 | 145.1 |
| | Cottonseed Oil | 162.4 | 162.4 | 163.1 | 163.1 |
| 23.0 | Farm Products | 167.8 | 168.4 | 167.1 | 161.4 |
| | Cotton | 214.3 | 214.4 | 216.4 | 202.1 |
| | Grains | 160.7 | 164.0 | 163.7 | 154.9 |
| | Livestock | 163.0 | 163.0 | 160.6 | 157.0 |
| 17.3 | Fuels | 134.2 | 133.3 | 133.3 | 130.1 |
| 10.8 | Miscellaneous Commodities | 133.9 | 133.9 | 133.7 | 132.2 |
| 8.2 | Textiles | 157.0 | 157.0 | 157.3 | 152.5 |
| 7.1 | Metals | 108.9 | 108.9 | 108.9 | 104.4 |
| 6.1 | Building Materials | 153.8 | 152.8 | 153.8 | 154.0 |
| 1.3 | Chemicals and Drugs | 125.8 | 125.8 | 125.9 | 126.9 |
| .3 | Fertilizer Materials | 118.3 | 118.3 | 118.3 | 118.3 |
| .3 | Fertilizers | 119.9 | 119.9 | 119.9 | 119.7 |
| .3 | Farm Machinery | 104.8 | 104.8 | 104.8 | 104.5 |
| 100.0 | All groups combined | 141.6 | 141.7 | 141.2 | 138.4 |

*Indexes on 1926-1928 base were: Aug. 11, 1945, 110.3; Aug. 4, 1945, 110.4, and Aug. 12, 1944, 107.8.

## Steel Operations Again Decline—Sweeping Cancellations Expected to Follow Victory

"With an attitude of subdued expectancy, industry is marking time; and although chaotic conditions seem in the offing, sudden reconversion held no terrors for the steel industry this week," states "The Iron Age" in its issue of today (Aug. 16), which further adds in part:

"While war contractors struggled with the spector of terminations, and war converted manufacturers rushed to get the mothballs out of their civilian clothes, from four to six months' near capacity operations seemed assured for full line steel producers on the basis of civilian orders now in their pockets.

"After this second honeymoon with civilian industry, there was further prospect that as reconversion was accomplished and productive capacity dusted off additional orders would be forthcoming to replenish backlogs as they are nibbled away.

"Order departments took the initial peace negotiations calmly, with few cancellations received in the early part of the week. Customers seemed reluctant to anticipate contract cancellations until they were actually received. On this basis it appeared that approximately 48 hours would be required from the falling of the contractual axe at Washington before repercussions were felt on mill schedules.

"Automotive, appliance, farm equipment, railroad equipment and other essential civilian industries whose orders long have lain dormant appear in the best position to benefit by the initial break. Automotive manufacturers were talking in terms of from 500,000 to 800,000 passenger cars this year compared to the 250,000 originally scheduled, and farm machinery makers were planning double present production.

Steel warehouses, which have been a major source for civilian manufacturers unable to find a place on mill schedules, and whose inventories have been rapidly shrinking, were ready to receive shipment of substantial tonnages as soon as possible. No perceptible warehouse cancellations were expected as a result of the end of the war.

"First inkling of a return to peacetime normalcy for the industry came with a complaint from one segment of the automotive industry that steel prices are too high. Undoubtedly this anticipates an easier supply situation and scrambling for orders in the not too distant future, with price concessions as the base.

"Some sales offices detected an increase in rated civilian orders indicating that WPB was carrying out its promise of assistance for reconversion of essential industry in civilian lines. Some such orders came from the automotive industry, but it was implied that the material was for repair parts rather than for new automobiles."

The American Iron and Steel Institute on Aug. 13 announced that telegraphic reports which it had received indicated that the operating rate of steel companies having 94% of the steel capacity of the industry will be 82.5% of capacity for the week beginning Aug. 13, compared with 87.9% one week ago, 89.8% one month ago and 95.6% one year ago. The operating rate for the week beginning Aug. 13 is equivalent to 1,511,100 tons of steel ingots and castings, compared to 1,610,000 tons one week ago, 1,644,800 tons one month ago, and 1,719,600 tons one year ago. The operating rate for the week beginning Aug. 13 is the lowest since the Labor Day holiday week of 1940, when it also was 82.5%.

"Steel" of Cleveland, in its summary of the iron and steel markets on Aug. 13, stated in part as follows:

With the end of the war in the Pacific hastened by entry of Russia and use of the atomic bomb, steel demand has eased, some new phases of war procurement meeting temporary delay, pending review in the light of recent developments.

Even though prospects of full civilian production are coming closer, consumers are disposed to move slowly at the moment until current influences can be appraised. With the war's end, it is expected that cancellations will be sweeping, amounting possibly to as much as 90% of war contracts, according to some Washington estimates. This causes a tendency on the part of manufacturing consumers to specify lightly for the present.

Unvalidated orders are still being received by mills, with substantial specifications for war work, as there are advantages to be gained in scheduling when war pressure is off, but volume currently is definitely down. Many manufacturers with postwar programs sufficiently advanced placed orders many weeks ago. One feature of this situation is that at the war's end there may be many cancellations of even these purely civilian orders, as apparently there are a number of duplications.

As the prospect for sudden termination of fighting came last week, the War Production Board was setting up allocations for fourth quarter and it had been decided to continue CMP controls to the end of the year. Earlier indications were that about 2 million tons of unrated tonnage would be available for fourth quarter, later revised to 3 million tons, even assuming continuation of the war through the year and that the labor situation would not become worse.

There are estimates that unrated tonnage during third quarter will be about 800,000 tons, with some trade leaders skeptical. Estimates of unrated sheets and strip for third quarter are for about 175,000 tons, based in part on surplus of heavy-gage sheet capacity caused by landing mat cancellations. Current predictions for unrated sheets and strip for fourth quarter are for about a million tons. Sheet and strip carryover at the end of this quarter is expected to be about 300,000 tons, down more than half of the 660,000 tons at the end of second quarter.

Steel ingot output in July was 6,999,625 net tons, at 86.5% of capacity, slightly above June tonnage but the lowest operating rate for five years, during which the industry operated above 90%.

Scrap supply shows no improvement and melters find it difficult to build reserves, though stocks are unusually low in many instances. Reduction of war products and slowness of reconversion limits tonnage of production scrap, while dealers do not have sufficient labor to process collections and fear to buy too heavily of unprepared material. In some cases yards are nearly bare.

## Additional Mail to Greece

Postmaster Albert Goldman announced on Aug. 9 that information received from the Post Office Department, Washington 25, D. C., states that effective at once, mail service to Greece is extended to comprise all classes of regular (Postal Union) mails, that is to say, letters, post cards, printed matter in general, printed matter for the blind, commercial papers, samples of merchandise and small packets, with the following limitations:

(a) Business communications are limited to ascertainment of facts and exchange of information. Transactional communications may relate only to support remittances and the protection and maintenance of property.

(b) Printed matter (except printed matter for the blind), commercial papers, samples of merchandise and small packets are limited to 1 pound per package.

The postage rates applicable are those in effect prior to suspension of service to Greece. Fees: for registration, 20 cents; for special delivery, 20 cents.

Air-mail and money-order services are not available to Greece.

Mail for Greece is subject to the licensing requirements of the Foreign Economic Administration.

## Truman Outlines Reconversion Controls

In a letter to War Production Board Chairman J. A. Krug, President Truman has indicated his wishes regarding the role the WPB is to play in directing an orderly reconversion of industry from war to peacetime production. It is expected that the President's program will be put into operation speedily upon the final Japanese surrender.

The letter covering the President's five-point plan was made public after his conference with Mr. Krug and Price Administrator Chester Bowles, who, according to the Associated Press, which reported the Washington announcement on Aug. 9, have been in disagreement over fundamentals in reconversion policy. These advices said:

"Mr. Krug has been represented as wanting controls removed as soon as materials become abundant again. Mr. Bowles contends they should be retained until the dangers of higher living costs are ended.

"The issue previously had been submitted to John W. Snyder, director of war mobilization, and William H. Davis, director of economic stabilization, but it was so tied up with administration policy that it apparently had to be settled by President Truman.

"The genesis of the dispute was a WPB proposal to ease restrictions on clothing production. The OPA took the position that overall price and reconversion policy was involved, contending that materials controls should be kept firmly in place wherever there is a possibility of rising living costs."

The President's own attitude was made clear in his letter, which the Associated Press quoted as follows:

"Dear Chairman Krug:

"I have consulted with the Director of War Mobilization and Reconversion regarding steps to be taken by this Government to speed reconversion.

"Every opportunity must be given to private business to exercise its ingenuity and forcefulness in speeding the resumption of civilian production, subject to war needs. The Government has a major responsibility to assist in the achievement of an orderly transition from war production to civilian production. This is essential to the war production that continues and to the development of a healthy national economy.

"You and I have agreed that the War Production Board can and should play an important role in reconversion. In order to help industry to obtain unprecedented civilian production it is necessary, as you have suggested, for the War Production Board to continue, for the present, some of the effective measures it adopted to achieve our unprecedented war production. These controls, however, should be lifted as soon as they are no longer needed.

"Accordingly, I request you to continue the following program which you have been carrying out:

"1. A vigorous drive to expand production of materials which are in short supply, not only because of military demands, but to meet civilian demands as well.

"2. Limitation upon the manufacture of products for which materials cannot yet be made available, so as to avoid excessive pressure on supply which would threaten our stabilization program.

"3. A broad and effective control of inventories so as to avoid speculative hoarding and an unbalanced distribution which would curtail total production and endanger our stabilization program,

"4. Granting priority assistance to break bottlenecks which may impede the reconversion process.

"5. Allocation of scarce materials necessary for the production of low-priced items essential to the continued success of the stabilization program.

"In carrying out this request, I know that you will give due regard to the demobilization and reconversion policies established by the Congress, as set forth in Sections 203 and 204 of the War Act of 1944, and act under the guidance and direction of the Director of War Mobilization and Reconversion.

"I am appreciative of the tremendous accomplishment of the War Production Board under your direction and that of your predecessors. I am equally confident of the great contribution which you and your agency can make to the transition from our fully mobilized war economy to a sound and fully employed peace-time economy.

"To carry out these responsibilities I hope that all the officials and staff of your board whose services are needed will stay on the job. Their work is not yet done. The people of the United States expect them to be good soldiers and remain in service until the need has passed."

After receiving the President's letter, the Associated Press reported Mr. Krug to have stated: "This has been and will continue to be the Board's basic policy." He added that the WPB would stay on the job as long as there is any need for its service.

While he interpreted the President's letter as in line with the WPB's basic policy, the first reaction appeared to be that Mr. Bowles had emerged from the dispute with something better than a draw.

## Templeton Warns on Real Estate Inflation

Plans for another step in the American Bankers Association's program for helping banks to improve their mortgage management technique were revealed in the course of an interview in New York on Aug. 8 with Harry R. Templeton, President of the A.B.A. Savings Division, who stated that the Division's Committee on Real Estate Mortgages has begun preparation of a Home Mortgage Service Manual aimed at the improvement of methods for servicing home mortgages.

In addition to telling about the Savings Division's plans in this connection, Mr. Templeton, who is Vice-President in charge of the Savings Real Estate Department of The Cleveland Trust Co., in Cleveland, Ohio, sounded a warning in regard to the present inflated real estate market. "Banks must adjust their lending policies to the rise in the market," he said, "and must be realistic in making appraisals in the light of current prices." He pointed out that the present period of prosperity is a good time to get out of debt, urged that home owners take advantage of the opportunity by paying down their mortgage obligations and that home buyers make larger down payments on the homes they purchase now.

Two years ago, the Committee, in collaboration with the A.B.A. Department of Reaserch in Mortgage and Real Estate Finance, published a Home Mortgage Loan Manual to inform banks with respect to modern mortgage loan practice and to promote scientific mortgage lending. Mr. Templeton states that the Committee now proposes to produce a manual which would promote better methods for servicing home mortgage loans after they have been made. Study of the procedures employed by banks in the servicing of mortgages is now being undertaken and forms used by banks are being collected with the object of assembling the best thought and practice in this area of banking activity.

# Moody's Bond Prices And Bond Yield Averages

Moody's computed bond prices and bond yield averages are given in the following table.

MOODY'S BOND PRICES†
(Based on Average Yields)

| 1945— Daily Averages | U. S. Govt. Bonds | Avge. Corporate* | Corporate by Ratings* | | | | Corporate by Groups* | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Aaa | Aa | A | Baa | R. R. | P. U. | Indus. |
| Aug. 14 | 122.09 | 115.82 | 120.84 | 119.00 | 116.22 | 108.16 | 112.75 | 115.82 | 119.41 |
| 13 | 122.11 | 115.82 | 120.84 | 119.00 | 116.02 | 108.34 | 112.75 | 115.63 | 119.41 |
| 11 | Stock Exchange Closed | | | | | | | | |
| 10 | 122.14 | 116.02 | 121.04 | 119.20 | 116.02 | 108.34 | 112.93 | 115.82 | 119.41 |
| 9 | 122.15 | 116.02 | 121.04 | 119.20 | 116.22 | 108.34 | 113.12 | 115.82 | 119.41 |
| 8 | 122.20 | 116.02 | 121.04 | 119.20 | 116.02 | 108.34 | 112.93 | 115.82 | 119.20 |
| 7 | 122.25 | 116.02 | 120.84 | 119.00 | 116.02 | 108.34 | 112.93 | 115.82 | 119.00 |
| 6 | 122.33 | 116.02 | 120.84 | 119.20 | 116.02 | 108.34 | 113.12 | 115.82 | 119.00 |
| 4 | Stock Exchange Closed | | | | | | | | |
| 3 | 122.36 | 115.82 | 120.84 | 119.20 | 116.02 | 108.16 | 112.93 | 115.82 | 119.00 |
| 2 | 122.30 | 116.02 | 120.84 | 119.41 | 116.02 | 108.16 | 112.93 | 115.82 | 119.20 |
| 1 | 122.28 | 115.82 | 120.84 | 119.41 | 115.82 | 108.16 | 112.93 | 115.82 | 119.20 |
| July 27 | 122.39 | 115.82 | 120.84 | 119.20 | 115.82 | 108.16 | 112.93 | 115.63 | 119.00 |
| 20 | 122.80 | 116.02 | 121.04 | 119.41 | 116.02 | 108.34 | 112.93 | 115.63 | 119.41 |
| 13 | 122.89 | 116.22 | 121.04 | 119.61 | 116.22 | 108.34 | 113.31 | 115.63 | 119.61 |
| 6 | 122.92 | 116.02 | 121.04 | 119.41 | 116.02 | 108.16 | 112.93 | 115.63 | 119.61 |
| June 29 | 122.93 | 116.02 | 121.04 | 119.20 | 116.02 | 108.16 | 112.93 | 115.43 | 119.41 |
| 22 | 122.97 | 115.82 | 120.84 | 119.20 | 115.82 | 107.80 | 112.75 | 115.43 | 119.20 |
| 15 | 122.97 | 115.82 | 120.84 | 119.20 | 115.82 | 107.80 | 112.75 | 115.43 | 119.41 |
| 8 | 122.81 | 115.63 | 120.84 | 119.00 | 115.63 | 107.62 | 112.37 | 115.24 | 119.41 |
| 1 | 122.23 | 115.43 | 120.63 | 119.00 | 115.43 | 107.44 | 112.37 | 114.85 | 119.20 |
| May 25 | 122.29 | 115.43 | 120.63 | 118.80 | 115.43 | 107.44 | 112.19 | 114.85 | 119.20 |
| 18 | 122.31 | 115.43 | 120.63 | 118.80 | 115.43 | 107.27 | 112.19 | 114.66 | 119.41 |
| 11 | 122.26 | 115.24 | 120.84 | 118.40 | 115.43 | 107.09 | 112.19 | 114.46 | 119.41 |
| 4 | 122.38 | 115.24 | 120.84 | 118.40 | 115.24 | 107.09 | 112.00 | 114.27 | 119.41 |
| Apr. 27 | 122.38 | 115.24 | 120.84 | 118.40 | 115.04 | 107.09 | 112.19 | 114.27 | 119.20 |
| Mar. 31 | 122.01 | 114.85 | 121.04 | 118.40 | 114.85 | 106.04 | 111.25 | 114.27 | 119.20 |
| Feb. 23 | 121.92 | 114.66 | 120.02 | 118.60 | 114.46 | 106.04 | 110.52 | 114.08 | 119.41 |
| Jan. 26 | 120.88 | 113.89 | 119.41 | 118.00 | 113.70 | 105.17 | 109.24 | 113.89 | 118.60 |
| High 1945 | 123.05 | 116.22 | 121.04 | 119.61 | 116.22 | 108.34 | 113.31 | 115.82 | 119.61 |
| Low 1945 | 120.55 | 113.50 | 118.80 | 117.80 | 113.31 | 104.48 | 108.52 | 113.70 | 118.20 |
| 1 Year Ago Aug. 14, 1944 | 119.92 | 112.75 | 118.80 | 117.20 | 112.37 | 103.30 | 106.92 | 114.08 | 117.20 |
| 2 Years Ago Aug. 14, 1943 | 120.29 | 111.25 | 119.20 | 117.00 | 111.62 | 99.04 | 103.30 | 113.89 | 117.20 |

MOODY'S BOND YIELD AVERAGES
(Based on Individual Closing Prices)

| 1945— Daily Averages | U. S. Govt. Bonds | Avge. Corporate* | Corporate by Ratings* | | | | Corporate by Groups* | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Aaa | Aa | A | Baa | R. R. | P. U | Indus |
| Aug. 14 | 1.66 | 2.86 | 2.61 | 2.70 | 2.84 | 3.27 | 3.02 | 2.86 | 2.68 |
| 13 | 1.66 | 2.86 | 2.61 | 2.70 | 2.85 | 3.26 | 3.02 | 2.87 | 2.68 |
| 11 | Stock Exchange Closed | | | | | | | | |
| 10 | 1.65 | 2.85 | 2.60 | 2.69 | 2.85 | 3.26 | 3.01 | 2.86 | 2.68 |
| 9 | 1.65 | 2.85 | 2.60 | 2.69 | 2.84 | 3.26 | 3.00 | 2.86 | 2.68 |
| 8 | 1.65 | 2.85 | 2.60 | 2.69 | 2.85 | 3.26 | 3.01 | 2.86 | 2.69 |
| 7 | 1.65 | 2.86 | 2.61 | 2.70 | 2.85 | 3.26 | 3.01 | 2.86 | 2.70 |
| 6 | 1.64 | 2.85 | 2.61 | 2.69 | 2.85 | 3.26 | 3.00 | 2.86 | 2.70 |
| 4 | Stock Exchange Closed | | | | | | | | |
| 3 | 1.64 | 2.86 | 2.61 | 2.69 | 2.85 | 3.27 | 3.01 | 2.86 | 2.70 |
| 2 | 1.64 | 2.85 | 2.61 | 2.68 | 2.85 | 3.27 | 3.01 | 2.86 | 2.69 |
| 1 | 1.64 | 2.86 | 2.61 | 2.68 | 2.86 | 3.27 | 3.01 | 2.86 | 2.69 |
| July 27 | 1.64 | 2.86 | 2.61 | 2.69 | 2.86 | 3.27 | 3.01 | 2.87 | 2.70 |
| 20 | 1.60 | 2.85 | 2.60 | 2.68 | 2.85 | 3.26 | 3.01 | 2.87 | 2.68 |
| 13 | 1.60 | 2.84 | 2.60 | 2.67 | 2.84 | 3.26 | 2.99 | 2.87 | 2.67 |
| 6 | 1.60 | 2.85 | 2.60 | 2.68 | 2.85 | 3.27 | 3.01 | 2.87 | 2.67 |
| June 29 | 1.60 | 2.85 | 2.60 | 2.69 | 2.85 | 3.27 | 3.01 | 2.88 | 2.68 |
| 22 | 1.59 | 2.86 | 2.61 | 2.69 | 2.86 | 3.29 | 3.02 | 2.88 | 2.69 |
| 15 | 1.59 | 2.86 | 2.61 | 2.69 | 2.86 | 3.29 | 3.02 | 2.88 | 2.68 |
| 8 | 1.60 | 2.87 | 2.61 | 2.70 | 2.87 | 3.30 | 3.04 | 2.89 | 2.68 |
| 1 | 1.64 | 2.88 | 2.62 | 2.70 | 2.88 | 3.31 | 3.04 | 2.91 | 2.69 |
| May 25 | 1.64 | 2.88 | 2.62 | 2.71 | 2.83 | 3.31 | 3.05 | 2.91 | 2.69 |
| 18 | 1.64 | 2.83 | 2.62 | 2.71 | 2.88 | 3.32 | 3.05 | 2.92 | 2.68 |
| 11 | 1.64 | 2.89 | 2.61 | 2.73 | 2.88 | 3.33 | 3.05 | 2.93 | 2.68 |
| 4 | 1.63 | 2.89 | 2.61 | 2.73 | 2.89 | 3.33 | 3.06 | 2.94 | 2.68 |
| Apr. 27 | 1.63 | 2.89 | 2.61 | 2.73 | 2.90 | 3.33 | 3.05 | 2.94 | 2.69 |
| Mar. 31 | 1.66 | 2.91 | 2.60 | 2.73 | 2.91 | 3.39 | 3.10 | 2.94 | 2.69 |
| Feb. 23 | 1.69 | 2.92 | 2.65 | 2.72 | 2.93 | 3.39 | 3.14 | 2.95 | 2.68 |
| Jan. 26 | 1.77 | 2.96 | 2.68 | 2.75 | 2.97 | 3.44 | 3.21 | 2.96 | 2.72 |
| High 1945 | 1.80 | 2.98 | 2.71 | 2.76 | 2.99 | 3.48 | 3.25 | 2.97 | 2.74 |
| Low 1945 | 1.59 | 2.84 | 2.60 | 2.67 | 2.84 | 3.26 | 2.99 | 2.86 | 2.67 |
| 1 Year Ago Aug. 14, 1944 | 1.80 | 3.02 | 2.71 | 2.79 | 3.04 | 3.55 | 3.34 | 2.95 | 2.79 |
| 2 Years Ago Aug. 14, 1943 | 1.83 | 3.10 | 2.69 | 2.80 | 3.08 | 3.81 | 3.55 | 2.96 | 2.79 |

*These prices are computed from average yields on the basis of one "typical" bond (3¾% coupon, maturing in 25 years) and do not purport to show either the average level or the average movement of actual price quotations. They merely serve to illustrate in a more comprehensive way the relative levels and the relative movement of yield averages, the latter being the true picture of the bond market.

†The latest complete list of bonds used in computing these indexes was published in the issue of Jan. 14, 1943, page 202.

# Finished Steel Shipments by Subsidiaries of United States Steel Corporation Higher in July

Shipments of finished steel products by subsidiaries of the United States Steel Corp. in July amounted to 1,608,994 net tons, an increase of 6,112 net tons over June shipments of 1,602,882 tons and a decrease of 145,531 tons when compared with the 1,754,525 tons delivered in July, 1944. Shipments in July, 1943, were 1,660,762 net tons and those in July, 1942, were 1,765,749 tons.

For the seven months ended July 31, last, shipments totaled 11,733,953 net tons against 12,387,379 tons in the first seven months of 1944.

The following tabulation gives shipments by subsidiaries of United States Steel Corp. monthly from the beginning of 1940 (figures in net tons):

| | 1945 | 1944 | 1943 | 1942 | 1941 | 1940 |
|---|---|---|---|---|---|---|
| January | 1,569,115 | 1,730,787 | 1,685,993 | 1,738,893 | 1,682,454 | 1,145,592 |
| February | 1,562,488 | 1,755,772 | 1,691,592 | 1,616,587 | 1,548,451 | 1,009,256 |
| March | 1,869,642 | 1,874,795 | 1,772,397 | 1,780,938 | 1,720,366 | 931,905 |
| April | 1,722,845 | 1,756,797 | 1,630,828 | 1,758,894 | 1,687,674 | 907,904 |
| May | 1,797,987 | 1,776,934 | 1,706,543 | 1,834,127 | 1,745,295 | 1,084,057 |
| June | 1,602,883 | 1,737,769 | 1,552,663 | 1,774,068 | 1,668,637 | 1,209,684 |
| July | 1,608,994 | 1,754,525 | 1,660,762 | 1,765,749 | 1,666,667 | 1,296,887 |
| August | ------ | 1,743,485 | 1,704,289 | 1,788,650 | 1,753,665 | 1,455,604 |
| September | ------ | 1,733,602 | 1,664,577 | 1,703,570 | 1,664,227 | 1,392,838 |
| October | ------ | 1,774,969 | 1,794,968 | 1,787,501 | 1,851,279 | 1,572,408 |
| November | ------ | 1,743,753 | 1,660,594 | 1,665,545 | 1,624,186 | 1,425,352 |
| December | ------ | 1,767,600 | 1,719,624 | 1,849,635 | 1,846,036 | 1,544,623 |
| Total by mos. | ------ | 21,150,788 | 20,244,830 | 21,064,157 | 20,458,937 | 14,976,110 |
| Yearly adjust. | ------ | *98,609 | *97,214 | *449,020 | *42,333 | 37,639 |
| Total | ------ | 21,052,179 | 20,147,616 | 20,615,137 | 20,416,604 | 15,013,749 |

*Decrease.

**Note**—The monthly shipments as currently reported during the year 1945, are subject to adjustment reflecting annual tonnage reconciliations.

# Weekly Coal and Coke Production Statistics

The total production of bituminous coal and lignite during the week ended Aug. 4, 1945, is estimated by the United States Bureau of Mines at 11,350,000 net tons, a decrease of 645,000 tons, or 5.4%, from the preceding week. Output in the corresponding week of 1944 was 11,957,000 tons. The total production of soft coal from Jan. 1 to Aug. 4, 1945 is estimated at 352,006,000 net tons, a decrease of 6.6% when compared with the 376,926,000 tons produced during the period from Jan. 1 to Aug. 5, 1944.

Production of Pennsylvania anthracite for the week ended Aug. 4, 1945, as estimated by the Bureau of Mines, was 1,206,000 tons, an increase of 17,000 tons (1.4%) over the preceding week. When compared with the output in the corresponding week of 1944 there was a decrease of 1,000 tons, or 0.1%. The calendar year to date shows a decrease of 16.3% when compared with the corresponding period of 1944.

The Bureau also reports that the estimated production of beehive coke in the United States for the week ended Aug. 4, 1945 showed a decrease of 7,000 tons when compared with the output for the week ended July 28, 1945; and was 44,600 tons less than for the corresponding week of 1944.

ESTIMATED UNITED STATES PRODUCTION OF BITUMINOUS COAL AND LIGNITE IN NET TONS

| | Week Ended | | | Jan. 1 to Date | |
|---|---|---|---|---|---|
| Bituminous coal & lignite— | Aug. 4, 1945 | *July 28, 1945 | Aug. 5, 1944 | †Aug. 4, 1945 | Aug. 5, 1944 |
| Total, including mine fuel | 11,350,000 | 11,995,000 | 11,957,000 | 352,006,000 | 376,926,000 |
| Daily average | 1,892,000 | 1,999,000 | 1,993,000 | 1,920,000 | 2,037,000 |

*Revised. †Subject to current adjustment.

ESTIMATED PRODUCTION OF PENNSYLVANIA ANTHRACITE AND COKE
(In Net Tons)

| | Week Ended | | | Calendar Year to Date | | |
|---|---|---|---|---|---|---|
| Penn. anthracite— | ‡Aug. 4, 1945 | §July 28, 1945 | Aug. 5, 1944 | Aug. 4, 1945 | Aug. 5, 1944 | Aug. 7, 1937 |
| *Total incl. coll. fuel | 1,206,000 | 1,189,000 | 1,207,000 | 32,387,000 | 38,673,000 | 31,736,000 |
| †Commercial produc. | 1,158,000 | 1,141,000 | 1,159,000 | 31,093,000 | 37,126,000 | 30,149,000 |
| Beehive coke— | | | | | | |
| United States total | 98,300 | 105,300 | 142,900 | 3,574,800 | 4,575,900 | 2,173,700 |

*Includes washery and dredge coal, and coal shipped by truck from authorized operations. †Excludes colliery fuel. ‡Subject to revision. §Revised.

ESTIMATED WEEKLY PRODUCTION OF BITUMINOUS COAL AND LIGNITE, BY STATES, IN NET TONS

(The current weekly estimates are based on railroad carloadings and river shipments and are subject to revision on receipt of monthly tonnage reports from district and State sources or of final annual returns from the operators.)

| | Week Ended | | |
|---|---|---|---|
| State— | July 28, 1945 | July 21, 1945 | July 29, 1944 |
| Alabama | 399,000 | 379,000 | 377,000 |
| Alaska | 6,000 | 6,000 | 6,000 |
| Arkansas and Oklahoma | 92,000 | 93,000 | 88,000 |
| Colorado | 126,000 | 124,000 | 136,000 |
| Georgia and North Carolina | * | * | * |
| Illinois | 1,487,000 | 1,190,000 | 1,474,000 |
| Indiana | 507,000 | 574,000 | 557,000 |
| Iowa | 48,000 | 42,000 | 44,000 |
| Kansas and Missouri | 104,000 | 99,000 | 165,000 |
| Kentucky—Eastern | 943,000 | 945,000 | 1,004,000 |
| Kentucky—Western | 390,000 | 408,000 | 401,000 |
| Maryland | 42,000 | 40,000 | 41,000 |
| Michigan | 2,000 | 2,000 | 2,000 |
| Montana (bitum. & lignite) | 90,000 | 83,000 | 74,000 |
| New Mexico | 28,000 | 31,000 | 32,000 |
| North & South Dakota (lignite) | 41,000 | 41,000 | 35,000 |
| Ohio | 757,000 | 768,000 | 676,000 |
| Pennsylvania (bituminous) | 2,890,000 | 2,752,000 | 3,026,000 |
| Tennessee | 135,000 | 138,000 | 153,000 |
| Texas (bituminous & lignite) | 1,000 | 1,000 | 1,000 |
| Utah | 127,000 | 124,000 | 125,000 |
| Virginia | 363,000 | 338,000 | 393,000 |
| Washington | 27,000 | 27,000 | 24,000 |
| †West Virginia—Southern | 2,075,000 | 2,010,000 | 2,281,000 |
| ‡West Virginia—Northern | 1,120,000 | 1,095,000 | 1,109,000 |
| Wyoming | 195,000 | 190,000 | 161,000 |
| §Other Western States | * | * | * |
| Total bituminous & lignite | 11,995,000 | 11,500,000 | 12,385,000 |

†Includes operations on the N. & W.; C. & O.; Virginian; K. & M.; B. C. & G.; and on the B. & O. in Kanawha, Mason, and Clay counties. ‡Rest of State, including the Panhandle District and Grant, Mineral, and Tucker counties. §Includes Arizona and Oregon. *Less than 1,000 tons.

# Sloan Foundation $4,000,000 Grant to Provide Sloan-Kettering Institute for Cancer Research

Announcement of a grant of $4,000,000 from the Alfred P. Sloan Foundation to provide, and in part to maintain, a projected Sloan-Kettering Institute for Cancer Research, to be organized in conjunction with Memorial Hospital in New York City, was made on Aug. 7 by Alfred P. Sloan, Jr. sponsor of the foundation and also chairman of General Motors. The gift made known by Mr. Sloan in connection with the recently announced expansion program of Memorial Hospital, will provide for a building especially designed for the purpose and self-contained in all its various research functions. It will be erected at an estimated cost of $2,000,000 on property now owned by Memorial Hospital adjacent to its present location. The facilities to be provided will be adequate to permit the exploration of all avenues that may be expected to contribute to the objective, says the announcement, which added.

In addition, the Alfred P. Sloan Foundation will undertake to provide $200,000 a year toward the operating cost for a definite period of 10 years. This is estimated to be not more than one-half of what might be profitably employed. It is to be hoped that others interested in the same objective will provide additional financial support, Mr. Sloan stated.

Commenting further upon the proposed project, Mr. Sloan said in part:

"The determination of the cause of cancer is one of the great unsolved problems of mankind. The impact of the disease on the human race is appalling and, unfortunately, its magnitude too little appreciated. One out of every nine now succumbs to its ravages. It strikes indiscriminately. It is a problem the solution of which is worthy of the best efforts. My industrial experience has led me to appreciate the amazing possibilities of research when organized on a broad and comprehensive scale. And I have had the inspiration of my distinguished associate, Dr. Charles F. Kettering, who is Vice-President and director of research for General Motors. We now propose to continue that association in this new project, but in a purely personal way. It is, of course, entirely unrelated to General Motors. We are convinced that the same broad principles of organized industrial research can be adapted so as to bear effectively on this entirely different problem. And we further believe that the current acceleration of scientific knowledge provides an unusual opportunity for a determined all-out effort.

"Any attack on such a problem must be a relatively long-term one. It requires the highest standard of scientific talent supported by adequate facilities as well as time. The resources being made available to the new Institute will permit planning a 10-year program of maximum intensity with the assurance that it can be carried through to completion. Neither Dr. Kettering nor myself has any illusions as to the difficulties involved. But we believe the Institute, as it will be organized, can be expected to make a contribution toward the attainment of the objective.

# New Orleans Land Bank Owned by Farmers

The Federal Land Bank of New Orleans on Aug. 1 reached its goal of complete ownership by the farmers who use it, it is learned from the New Orleans "Times-Picayune" of that date, which also had the following to say:

Delivery of a check for $2,951,000 to the Federal Treasury, the final payment on money made available to the bank by the United States Government in depression years, means the bank belongs wholly to 128 national farm loan associations and direct borrowers in Alabama, Mississippi and Louisiana. It has capital stock of $3,300,000, surplus and reserves of $17,056,330 and total assets of $66,000,000.

The check was signed by Dr. R. L. Thompson, President of the bank, in the presence of John L. Ryan, senior Vice-President; Warner W. Fussell, Vice-President and Treasurer, and W. K. McWilliams, Acting General Agent of the Farm Credit Administration.

When the bank was established in 1917 the Government bought stock to provide working capital. Under the Land Bank System each farmer who obtained a loan from the bank bought stock in a national farm loan association equal to 5% of his loan. The associations in turn bought an equal amount of stock in the Federal Land Bank. In this way the bank ultimately retired all government-held stock.

During the depression years, when farmers could not pay the annual installments on their loans, the United States Government assisted by extending a credit service to farmers. It subscribed $18,880,760 to the bank's capital stock, making available $16,376,741 of paid-in surplus. This made it possible for the bank to grant extensions on loan installments that could not be paid by the farmers and represented a total of $35,257,501 that the Government had invested in the bank.

"The repayment to the Government,'" Dr. Thompson said, "was made possible by the recovery of agriculture in the Fifth Farm Credit District from the effects of the depression, the very fine cooperation received from national farm loan associations and the sound guidance given the bank by its district board of directors."

# Moody's Daily Commodity Index

| | |
|---|---|
| Tuesday, Aug. 7, 1945 | 254.8 |
| Wednesday, Aug. 8 | 254.6 |
| Thursday, Aug. 9 | 254.9 |
| Friday, Aug. 10 | 254.7 |
| Saturday, Aug. 11 | 254.4 |
| Monday, Aug. 13 | 254.6 |
| Tuesday, Aug. 14 | 254.8 |
| Two weeks ago, July 31 | 254.9 |
| Month ago, July 14 | 256.3 |
| Year ago, Aug. 14 | 249.4 |
| 1944 High, Dec. 31 | 254.4 |
| Low, Nov. 1 | 245.7 |
| 1945 High, June 12 | 258.0 |
| Low, Jan. 24 | 252.1 |

# Trading on New York Exchanges

The Securities and Exchange Commission made public on Aug. 8 figures showing the volume of total round-lot stock sales on the New York Stock Exchange and the New York Curb Exchange and the volume of round-lot stock transactions for the account of all members of these exchanges in the week ended July 21, continuing a series of current figures being published weekly by the Commission. Short sales are shown separately from other sales in these figures.

Trading on the Stock Exchange for the account of members (except odd-lot dealers) during the week ended July 21 (in round-lot transactions) totaled 1,996,206 shares, which amount was 16.64% of the total transactions on the Exchange of 5,998,000 shares. This compares with member trading during the week ended July 14, of 1,594,109 shares, or 14.90% of the total trading of 5,348,950 shares. On the New York Curb Exchange, member trading during the week ended July 21 amounted to 402,685 shares or 14.40% of the total volume on that exchange of 1,398,470 shares. During the week ended July 14 trading for the account of Curb members of 439,365 shares was 14.34% of the total trading of 1,531,435 shares.

**Total Round-Lot Stock Sales on the New York Stock Exchange and Round-Lot Stock Transactions for Account of Members* (Shares)**

WEEK ENDED JULY 21, 1945

| | Total for week | †% |
|---|---|---|
| A. Total Round-Lot Sales: | | |
| Short sales | 129,710 | |
| ‡Other sales | 5,868,290 | |
| Total sales | 5,998,000 | |
| B. Round-Lot Transactions for Account of Members, Except for the Odd-Lot Accounts of Odd-Lot Dealers and Specialists: | | |
| 1. Transactions of specialists in stocks in which they are registered— | | |
| Total purchases | 488,310 | |
| Short sales | 60,310 | |
| ‡Other sales | 444,150 | |
| Total sales | 504,460 | 8.28 |
| 2. Other transactions initiated on the floor— | | |
| Total purchases | 160,010 | |
| Short sales | 6,700 | |
| ‡Other sales | 245,230 | |
| Total sales | 251,930 | 3.43 |
| 3. Other transactions initiated off the floor— | | |
| Total purchases | 183,725 | |
| Short sales | 17,950 | |
| ‡Other sales | 389,821 | |
| Total sales | 407,771 | 4.93 |
| 4. Total— | | |
| Total purchases | 832,045 | |
| Short sales | 84,960 | |
| ‡Other sales | 1,079,201 | |
| Total sales | 1,164,161 | 16.64 |

**Total Round-Lot Stock Sales on the New York Curb Exchange and Stock Transactions for Account of Members* (Shares)**

WEEK ENDED JULY 21, 1945

| | Total for week | †% |
|---|---|---|
| A. Total Round-Lot Sales: | | |
| Short sales | 13,005 | |
| ‡Other sales | 1,385,465 | |
| Total sales | 1,398,470 | |
| B. Round-Lot Transactions for Account of Members: | | |
| 1. Transactions of specialists in stocks in which they are registered— | | |
| Total purchases | 132,730 | |
| Short sales | 4,775 | |
| ‡Other sales | 130,530 | |
| Total sales | 135,305 | 9.58 |
| 2. Other transactions initiated on the floor— | | |
| Total purchases | 21,950 | |
| Short sales | 800 | |
| ‡Other sales | 52,150 | |
| Total sales | 52,950 | 2.68 |
| 3. Other transactions initiated off the floor— | | |
| Total purchases | 26,730 | |
| Short sales | 3,540 | |
| ‡Other sales | 29,480 | |
| Total sales | 33,020 | 2.14 |
| 4. Total— | | |
| Total purchases | 181,410 | |
| Short sales | 9,115 | |
| ‡Other sales | 212,160 | |
| Total sales | 221,275 | 14.40 |
| C. Odd-Lot Transactions for Account of Specialists— | | |
| Customers' short sales | 0 | |
| §Customers' other sales | 51,531 | |
| Total purchases | 51,531 | |
| Total sales | 54,211 | |

*The term "members" includes all regular and associate Exchange members, their firms and their partners, including special partners.

†In calculating these percentages the total of members' purchases and sales is compared with twice the total round-lot volume on the Exchange for the reason that the Exchange volume includes only sales.

‡Round-lot short sales which are exempted from restriction by the Commission's rules are included with "other sales."

§Sales marked "short exempt" are included with "other sales."

# Wholesale Prices Declined 0.1% in Week Ended Aug. 4, Labor Dept. Reports

The Bureau of Labor Statistics' index of commodity prices in primary markets declined 0.1% during the week ended Aug. 4, as the result of lower prices for agricultural commodities, it was announced on Aug. 9 by the United States Department of Labor, which said that the index, at 105.7% of the 1926 average, was 0.1% below the level of a month ago and 2.0% above the corresponding week of last year. The Department advices continued.

"**Farm Products and Foods.** Substantially lower quotations for fresh fruits and vegetables, sheep, and cows, which more than offset increases for grains and eggs, resulted in a net decline of 0.5% in the group index for farm products. Prices of white potatoes declined sharply and apples and onions were seasonally lower. Prices for lemons in California rose while oranges declined. Sheep quotations dropped more than 5% on the announcement that beginning Aug. 5 subsidies would be paid directly to producers rather, than to slaughterers. Market prices for cows declined seasonally. Most grains were higher, reflecting heavy demand. Eggs continued their seasonal advance, and cotton was fractionally higher. Quotations for hay were lower reflecting large supplies. Average prices for farm products were 0.2% below the level of four weeks earlier and 5.4% above the level of early August 1944.

"Average prices for foods were 0.4% lower as the result of the decline of 2.5% for fruits and vegetables. Wheat and rye flour also advanced with heavy demand in anticipation of a cut in the subsidy. The group index for foods was 0.2% below four weeks ago and 2.3% above a year ago.

"**Other Commodities.** The group index for commodities other than farm products and foods which had been unchanged since mid-June increased 0.1% during the week to a level 1.2% above a year ago. Increased OPA ceilings for jute liner to cover higher production costs raised average boxboard prices 0.6%. Agricultural implements rose fractionally. Higher prices for anthracite and bituminous coal offset lower sales realizations for electricity, leaving the group index for fuel and lighting materials unchanged. Butyl acetate and turpentine prices were higher while quicksilver quotations continued to decline."

The Labor Department included the following notation in its report.

**Note**—During the period of rapid changes caused by price controls, materials allocation, and retioning, the Bureau of Labor Statistics will attempt promptly to report changing prices. The indexes must be considered as preliminary and subject to such adjustment and revision as required by later and more complete reports.

The following tables show (1) indexes for the past three weeks, for July 7, 1945 and Aug. 5, 1944 and (2) percentage changes in subgroup indexes from July 28, 1945 to Aug. 4, 1945.

WHOLESALE PRICES FOR WEEK ENDED JULY 28, 1945
(1926 = 100)

| | | | | | | Percentage change to Aug. 4, 1945, from— | | |
|---|---|---|---|---|---|---|---|---|
| Commodity Groups— | 8-4 1945 | 7-28 1945 | 7-21 1945 | 7-7 1945 | 8-5 1944 | 7-28 1945 | 7-7 1945 | 8-5 1944 |
| All commodities | 105.7 | 105.8 | 105.6 | 105.8 | 103.6 | —0.1 | —0.1 | +2.0 |
| Farm products | 129.1 | 129.7 | 128.5 | 129.4 | 122.5 | —0.5 | —0.2 | +5.4 |
| Foods | 107.0 | 107.4 | 106.5 | 107.2 | 104.6 | —0.4 | —0.2 | +2.3 |
| Hides and leather products | 118.5 | 118.5 | 118.5 | 118.5 | 116.8 | 0 | 0 | +1.5 |
| Textile products | 99.1 | 99.1 | 99.1 | 99.1 | 97.5 | 0 | 0 | +1.6 |
| Fuel and lighting materials | 84.8 | 84.8 | 84.8 | 84.8 | 83.8 | 0 | 0 | +1.2 |
| Metals and metal products | 104.8 | 104.8 | 104.8 | 104.8 | 103.8 | 0 | 0 | +1.0 |
| Building materials | 117.3 | 117.3 | 117.3 | 117.3 | 116.0 | 0 | 0 | +1.1 |
| Chemicals and allied products | 95.2 | 95.2 | 95.2 | 95.4 | 95.4 | 0 | —0.2 | —0.2 |
| Housefurnishing goods | 106.2 | 106.2 | 106.2 | 106.2 | 106.0 | 0 | 0 | +0.2 |
| Miscellaneous commodities | 94.6 | 94.6 | 94.6 | 94.6 | 93.3 | 0 | 0 | +1.4 |
| Raw materials | 118.1 | 118.5 | 117.7 | 118.3 | 112.9 | —0.3 | —0.2 | +4.6 |
| Semimanufactured articles | 95.2 | 95.2 | 95.2 | 95.2 | 93.8 | 0 | 0 | +1.5 |
| Manufactured products | 101.9 | 101.9 | 101.9 | 102.0 | 101.0 | 0 | —0.1 | +0.9 |
| All commodities other than farm products | 100.6 | 100.6 | 100.6 | 100.6 | 99.5 | 0 | 0 | +1.1 |
| All commodities other than farm products and foods | 99.9 | 99.8 | 99.8 | 99.8 | 98.7 | +0.1 | +0.1 | +1.2 |

PERCENTAGE CHANGES IN SUBGROUP INDEXES FROM JULY 21, 1945, TO JULY 28, 1945

**Increases**

| | | | |
|---|---|---|---|
| Grains | 1.3 | Other foods | 0.2 |
| Anthracite | 0.3 | Agricultural implements | 0.1 |
| Cereal products | 0.2 | Bituminous coal | 0.1 |
| Paper and pulp | 0.1 | | |

**Decreases**

| | | | |
|---|---|---|---|
| Fruits and vegetables | 2.5 | Livestock and poultry | 0.6 |
| Other farm products | 0.9 | | |

# Electric Output for Week Ended Aug. 11, 1945 0.5% Below That for Same Week Last Year

The Edison Electric Institute, in its current weekly report, estimated that the production of electricity by the electric light and power industry of the United States for the week ended Aug. 11, 1945, was approximately 4,395,337,000 kwh., which compares with 4,415,368,000 kwh. in the corresponding week a year ago and 4,432,304,000 kwh. in the week ended Aug. 4, 1945. The output of the week ended Aug. 11, 1945, was 0.5% below that for the same week last year.

PERCENTAGE INCREASE OVER PREVIOUS YEAR

| | Week Ended | | | |
|---|---|---|---|---|
| Major Geographical Divisions— | Aug. 11 | Aug. 4 | July 28 | July 21 |
| New England | *2.6 | *2.1 | *1.5 | *1.0 |
| Middle Atlantic | 1.7 | 1.6 | 2.8 | 3.0 |
| Central Industrial | *4.6 | *2.4 | *0.4 | *1.3 |
| West Central | 0.8 | 5.4 | 5.8 | 2.9 |
| Southern States | 6.2 | 6.9 | 6.5 | 4.1 |
| Rocky Mountain | *3.9 | *0.9 | *1.8 | *1.6 |
| Pacific Coast | *2.1 | *2.2 | *4.1 | *5.0 |
| Total United States | *0.5 | 0.7 | 1.0 | 0.1 |

*Decrease under similar week in previous year.

DATA FOR RECENT WEEKS (Thousands of Kilowatt-Hours)

| Week Ended— | 1945 | 1944 | % Change over 1944 | 1943 | 1932 | 1929 |
|---|---|---|---|---|---|---|
| May 5 | 4,397,330 | 4,233,756 | + 3.9 | 3,903,723 | 1,436,928 | 1,698,942 |
| May 12 | 4,302,381 | 4,238,375 | + 1.5 | 3,969,161 | 1,435,731 | 1,704,426 |
| May 19 | 4,377,221 | 4,245,678 | + 3.1 | 3,992,250 | 1,425,151 | 1,705,460 |
| May 26 | 4,329,605 | 4,291,750 | + 0.9 | 3,990,040 | 1,381,452 | 1,615,085 |
| June 2 | 4,203,502 | 4,144,490 | + 1.4 | 3,925,893 | 1,435,471 | 1,689,925 |
| June 9 | 4,327,028 | 4,264,600 | + 1.5 | 4,040,376 | 1,441,532 | 1,699,227 |
| June 16 | 4,348,413 | 4,287,251 | + 1.4 | 4,098,401 | 1,440,541 | 1,702,501 |
| June 23 | 4,358,277 | 4,325,417 | + 0.8 | 4,120,038 | 1,456,961 | 1,723,428 |
| June 30 | 4,353,351 | 4,327,359 | + 0.6 | 4,110,793 | 1,341,730 | 1,592,075 |
| July 7 | 3,978,426 | 3,940,854 | + 1.0 | 3,919,398 | 1,415,704 | 1,711,625 |
| July 14 | 4,295,254 | 4,377,152 | — 1.9 | 4,184,143 | 1,433,903 | 1,727,225 |
| July 21 | 4,384,547 | 4,380,930 | + 0.1 | 4,196,357 | 1,440,386 | 1,732,031 |
| July 28 | 4,434,841 | 4,390,762 | + 1.0 | 4,226,705 | 1,426,986 | 1,724,728 |
| Aug. 4 | 4,432,304 | 4,399,433 | + 0.7 | 4,240,638 | 1,415,122 | 1,729,667 |
| Aug. 11 | 4,395,337 | 4,415,368 | — 0.5 | 4,287,827 | 1,431,910 | 1,733,110 |
| Aug. 18 | | 4,451,076 | | 4,264,824 | 1,436,440 | 1,750,056 |
| Aug. 25 | | 4,418,298 | | 4,322,195 | 1,464,700 | 1,761,594 |
| Sep. 1 | | 4,414,735 | | 4,350,511 | 1,423,977 | 1,674,588 |

# Stettinius Designated U. S. Representative On United Nations Security Council

President Truman, following the signing of the United Nations Charter, announced on Aug. 9 the definite appointment of Edward R. Stettinius Jr., former Secretary of State, as the United States representative on the Security Council of the United Nations Organization. Mr. Stettinius will have the rank of Ambassador. His appointment is, of course, subject to Senate approval, which is expected soon after the reconvening of Congress in October.

In its announcement of Mr. Stettinius's appointment, the White House made public Mr. Truman's letter of appointment. It follows:

"My dear Ed:

"I take pleasure in appointing you as the United States representative on the Preparatory Commission of the United Nations established by agreement signed in San Francisco June 26, 1945. Carrying out this responsibility, you will have the personal rank of Ambassador.

"With all best wishes for your success in this vitally important undertaking.

"Sincerely yours,

"HARRY S. TRUMAN."

The White House announcement concluded with the statement that "it is not expected that Mr. Stettinius will attend the initial routine meetings of the executive committee of the Preparatory Commission. The first meeting of the executive committee has been called for Aug. 16 in London, at which it is anticipated that the United States will be represented by an officer of the State Department."

# Burns Quits NWLB

It was announced on Aug. 9 that Robert K. Burns had resigned as Chairman of the National War Labor Board's Newspaper Printing and Publishing Commission. Named as his successor, according to the Associated Press in reporting the announcement from Washington, was Frederick S. Deibler, who had been Vice-Chairman of the Commission since its inception in 1943.

Mr. Deibler is Professor Emeritus of Economics at Northwestern University, the Associated Press stated, and continued:

"Justice William L. Knouse of the Colorado Supreme Court and a public member of the ninth regional WLB at Denver, was named a public member of the Commission to fill a vacancy. The position of Vice-Chairman, vacated by Mr. Deibler's promotion, will not be filled at this time, the WLB said.

"Besides being Chairman of the Newspaper Commission, Mr. Burns had served as Chairman of the sixth regional WLB at Chicago until February, 1944. He will return to a position at the University of Chicago.

"The Commission has jurisdiction over all voluntary wage adjustment cases and dispute cases involving daily newspaper printing."

# NYSE Odd-Lot Trading

The Securities and Exchange Commission made public on Aug. 8 a summary for the week ended July 28 of complete figures showing the daily volume of stock transactions for odd-lot account of all odd-lot dealers and specialists who handled odd lots on the New York Stock Exchange, continuing a series of current figures being published by the Commission. The figures are based upon reports filed with the Commission by the odd-lot dealers and specialists.

STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE

Week Ended July 28, 1945

| | Total For Week |
|---|---|
| Odd-Lot Sales by Dealers—(Customers' sales) | |
| Number of orders | 20,518 |
| Number of shares | 594,478 |
| Dollar value | $22,202,399 |
| Odd-Lot Purchases by Dealers—(Customers' sales) | |
| Number of Orders: | |
| Customers' short sales | 107 |
| *Customers' other sales | 17,767 |
| Customers' total sales | 17,874 |
| Number of Shares: | |
| Customers' short sales | 4,619 |
| *Customers' other sales | 445,668 |
| Customers total sales | 450,287 |
| Dollar value | $16,981,165 |
| Round-Lot Sales by Dealers— | |
| Number of Shares: | |
| Short sales | 90 |
| †Other sales | 87,220 |
| Total sales | 87,310 |
| Round-Lot Purchases by Dealers— | |
| Number of shares | 226,760 |

*Sales marked "short exempt" are reported with "other sales."

†Sales to offset customers' odd-lot orders and sales to liquidate a long position which is less than a round lot are reported with "other sales."

# Daily Average Crude Oil Production for Week Ended Aug. 4, 1945 Decreased 7,900 Barrels

The American Petroleum Institute estimates that the daily average gross crude oil production for the week ended Aug. 4, 1945 was 4,922,100 barrels, a decrease of 7,900 barrels from the preceding week. It was, however, 271,450 barrels per day in excess of the output for the corresponding week in 1944, and exceeded the daily average figure recommended by the Petroleum Administration for War for the month of August, 1945, by 21,200 barrels. Daily production for the four weeks ended Aug. 4, 1945 averaged 4,935,100 barrels. Further details as reported by the Institute follow:

Reports received from refining companies indicate that the industry as a whole ran to stills on a Bureau of Mines basis approximately 5,077,000 barrels of crude oil daily and produced 16,053,000 barrels of gasoline; 1,458,000 barrels of kerosine; 4,758,000 barrels of distillate fuel, and 9,451,000 barrels of residual fuel oil during the week ended Aug. 4, 1945; and had in storage at the end of that week 46,251,000 barrels of civilian grade gasoline; 38.561,000 barrels of military and other gasoline; 11,420,000 barrels of kerosine; 36,721,000 barrels of distillate fuel, and 42,842,000 barrels of residual fuel oil.

DAILY AVERAGE CRUDE OIL PRODUCTION (FIGURES IN BARRELS)

| | *P. A. W. Recommendations August | *State Allowables Begin. Aug. 1 | Actual Production | | | |
|---|---|---|---|---|---|---|
| | | | Week Ended Aug. 4 1945 | Change from Previous Week | 4 Weeks Ended Aug. 4 1945 | Week Ended Aug. 5 1944 |
| Oklahoma | 380,000 | 388,000 | †390,850 | + 450 | 390,450 | 339,100 |
| Kansas | 274,000 | 269,400 | †257,550 | —20,900 | 274,000 | 240,450 |
| Nebraska | 1,000 | ---- | †850 | ---- | 850 | 900 |
| Panhandle Texas | | | 88,000 | + 500 | 87,650 | 98,700 |
| North Texas | | | 152,850 | + 550 | 152,450 | 148,750 |
| West Texas | | | 526,650 | + 5,250 | 522,700 | 484,950 |
| East Central Texas | | | 145,600 | + 6,600 | 140,650 | 147,650 |
| East Texas | | | 380,950 | + 1,450 | 379,850 | 371,700 |
| Southwest Texas | | | 361,100 | + 350 | 360,850 | 321,650 |
| Coastal Texas | | | 567,600 | — 1,350 | 568,600 | 535,200 |
| Total Texas | 2,190,000 | ‡2,195,012 | 2,222,750 | +13,350 | 2,212,750 | 2,108,600 |
| North Louisiana | | | 70,500 | + 100 | 70,500 | 73,750 |
| Coastal Louisiana | | | 295,700 | — 1,200 | 296,600 | 288,950 |
| Total Louisiana | 360,000 | 408,698 | 366,200 | — 1,000 | 367,100 | 362,700 |
| Arkansas | 80,000 | 77,836 | 80,050 | + 500 | 79,900 | 80,600 |
| Mississippi | 53,000 | | 52,750 | + 1,100 | 52,100 | 47,100 |
| Alabama | 500 | | 950 | — 50 | 950 | 200 |
| Florida | ---- | | 200 | + 50 | 200 | 50 |
| Illinois | 200,000 | | 203,100 | + 3,400 | 202,700 | 207,200 |
| Indiana | 13,000 | | 13,450 | + 150 | 13,250 | 12,850 |
| Eastern— (Not incl. Ill., Ind., Ky.) | 65,200 | | 65,700 | + 2,450 | 64,750 | 79,800 |
| Kentucky | 28,000 | | 29,550 | — 400 | 29,850 | 25,600 |
| Michigan | 47,000 | | 48,500 | + 800 | 48,850 | 57,700 |
| Wyoming | 118,200 | | 112,050 | — 2,600 | 114,250 | 98,650 |
| Montana | 22,000 | | 20,350 | — 450 | 20,700 | 21,800 |
| Colorado | 12,000 | | 12,100 | — 50 | 11,700 | 8,050 |
| New Mexico | 105,000 | 105,000 | 102,850 | — 400 | 103,150 | 108.500 |
| Total East of Calif. | 3,948,900 | | 3,979,800 | — 3,700 | 3,987,500 | 3,799,850 |
| California | 952,000 | §952,000 | 942,300 | — 4,200 | 947,600 | 850,800 |
| Total United States | 4,900,900 | | 4,922,100 | — 7,900 | 4,935,100 | 4,650,650 |

*PAW recommendations and State allowables, as shown above, represent the production of crude oil only, and do not include amounts of condensate and natural gas derivatives to be produced.

†Oklahoma, Kansas, Nebraska figures are for week ended 7:00 a.m. July 26, 1945.

‡This is the net basic allowable as of Aug. 1 calculated on a 31-day basis and includes shutdowns and exemptions for the entire month. With the exception of several fields which were exempted entirely and of certain other fields for which shutdowns were ordered for from 2 to 15 days, the entire State was ordered shut down for 5 days, no definite dates during the month being specified; operators only being required to shut down as best suits their operating schedules or labor needed to operate leases, a total equivalent to 5 days' shutdown time during the calendar month.

§Recommendation of Conservation Committee of California Oil Producers.

**CRUDE RUNS TO STILLS; PRODUCTION OF GASOLINE; STOCKS OF FINISHED AND UNFINISHED GASOLINE, GAS OIL AND DISTILLATE FUEL AND**

RESIDUAL FUEL OIL, WEEK ENDED AUG. 4, 1945

**(Figures in thousands of barrels of 42 gallons each)**

**Figures in this section include reported totals plus an estimate of unreported amounts and are therefore on a —Bureau of Mines basis—**

| | % Daily Refining Capacity Reporting | Crude Runs to Stills | | §Gasoline Production at Ref. Inc. Nat. Blended | ‡Stocks of Gas Oil & Dist. Fuel Oil | ‡Stocks of Residual Fuel oil | ‡Gasoline Stocks | |
|---|---|---|---|---|---|---|---|---|
| District— | | Daily Average | % Operated | | | | Military and Other | Civilian Grade |
| East Coast | 99.5 | 822 | 103.9 | 2,058 | 9,287 | 6,508 | 6,025 | 7,922 |
| Appalachian— | | | | | | | | |
| District No. 1 | 76.8 | 100 | 68.5 | 356 | 755 | 247 | 1,362 | 1,205 |
| District No. 2 | 81.2 | 63 | 126.0 | 189 | 250 | 163 | 248 | 727 |
| Ind., Ill., Ky. | 87.2 | 807 | 94.2 | 2,887 | 5,210 | 2,681 | 5,903 | 12,690 |
| Okla., Kan., Mo. | 78.3 | 388 | 82.7 | 1,468 | 2,142 | 1,409 | 1,570 | 6,761 |
| Inland Texas | 59.8 | 223 | 67.6 | 954 | 397 | 988 | 935 | 1,765 |
| Texas Gulf Coast | 89.3 | 1,230 | 99.4 | 4,088 | 5,537 | 5,341 | 10,180 | 5,504 |
| Louisiana Gulf Coast | 96.8 | 277 | 106.5 | 943 | 1,854 | 1,245 | 1,868 | 2,027 |
| No. La. & Arkansas | 55.9 | 74 | 58.7 | 211 | 742 | 214 | 151 | 2,418 |
| Rocky Mountain— | | | | | | | | |
| District No. 3 | 17.1 | 13 | 100.0 | 36 | 20 | 36 | 13 | 81 |
| District No. 4 | 72.1 | 114 | 71.7 | 360 | 321 | 639 | 582 | 1,507 |
| California | 87.3 | 966 | 96.9 | 2,503 | 10,206 | 23,371 | 9,724 | 3,644 |
| Total U. S. B. of M. basis Aug. 4, 1945 | 85.8 | 5,077 | 93.4 | 16,053 | 36,721 | 42,842 | *38,561 | 46,251 |
| Total U. S. B. of M. basis July 28, 1945 | 85.8 | 4,996 | 91.9 | 16,106 | 36,071 | 42,283 | 39,731 | 46,277 |
| U. S. B. of M basis Aug. 5, 1944 | | 4,522 | | 14,219 | 38,951 | 56,885 | 36,261 | 43,149 |

*Includes aviation and military grades, finished and unfinished, title to which still remains in the name of the producing company; solvents, naphthas, blending stocks currently indeterminate as to ultimate use, and 11,225,000 barrels unfinished gasoline this week, compared with 11,442,000 barrels a year ago. These figures do not include any gasoline on which title has already passed, or which the military forces may actually have in custody in their own or leased storage. ‡Stocks at refineries, at bulk terminals, in transit and in pipe lines. §Not including 1,458,000 barrels of kerosine, 4,758,000 barrels of gas oil and distillate fuel oil and 9,451,000 barrels of residual fuel oil produced during the week ended Aug. 4, 1945, which compares with 1,438,000 barrels, 4,598,000 barrels and 9,586,000 barrels, respectively, in the preceding week and 1,383,000 barrels, 4,822,000 barrels and 8,285,000 barrels, respectively, in the week ended Aug. 5, 1944.

Note—Stocks of kerosene at Aug. 4, 1945, amounted to 11,420,000 barrels, as against 11,081,000 barrels a week earlier and 12,147,000 barrels a year before.

# Civil Engineering Construction Volume $30,184,000 for Week

Civil engineering construction volume in continental United States totals $30,184,000 for the week. This volume, not including the construction by military engineers abroad, American contracts outside the country, and shipbuilding, is 60% below the 1945 high of a week ago, 24% below the total for the corresponding 1944 week, and 39% under the previous four-week moving average as reported to "Engineering News-Record." The report made public on Aug. 9 continued as follows:

Private volume exceeds public work for the first time since April 12, 1945, but it is 47% lower than the year's high of a week ago. Private construction, however, tops the corresponding week last year by 112%. Public construction drops 70% from last week and is 57% below last year.

The current week's construction brings 1945 volume to $1,153,674,000 for the 32 weeks, a 3% gain over the $1,121,716,000 reported in the 1944 period. Private construction, $346,609,000, is 35% greater than a year ago, but public work, $807,065,000, is 7% lower due to the 14% decrease in Federal. State and municipal volume, $191,064,000, is up 27% compared with last year.

Civil engineering construction volumes for the current week, last week, and the 1944 week are:

| | Aug. 9, 1945 | Aug. 2, 1945 | Aug. 10, 1944 |
|---|---|---|---|
| Total U. S. Construction | $30,184,000 | $76,351,000 | $39,507,000 |
| Private Construction | 16,639,000 | 31,321,000 | 7,844,000 |
| Public Construction | 13,545,000 | 45,030,000 | 31,663,000 |
| State and Municipal | 4,908,000 | 12,538,000 | 7,301,000 |
| Federal | 8,637,000 | 32,492,000 | 24,362,000 |

In the classified construction groups, sewerage is the only class of work to gain over a week ago. Sewerage and industrial buildings record increases over their respective 1944-week totals. Subtotals for the week in each class of construction are: water works, $641,000; sewerage, $1,546,000; bridges, $204,000; industrial buildings, $11,280,000; commercial building and large-scale private housing, $3,533,000; public buildings, $4,759,000; earthwork and drainage, $1,142,000; streets and roads, $2,415,000; unclassified construction, $4,664,000.

New capital for construction purposes for the week totals $10,343,000, and is made up entirely of State and municipal bond sales. The week's new financing brings 1945 volume to $1,515,176,000, a total 4% below the $1,580,299,000 reported for the 32-week period in 1944.

### Post-War Construction Planning Volume $22 Billions

Identified and recorded engineering projects proposed for construction in the post-war years total $21,991,498,000 according to reports to "Engineering News-Record" in the period from Jan. 1, 1943, through Aug. 2, 1945. Plans are under way or completed on post-war projects valued at $9,848,625,000, 45% of the total volume proposed, and on $1,677,825,000 worth of projects all financing arrangements have been completed.

# Non-Ferrous Metals—Zinc Stocks Increased In July—Lead Restrictions Eased by WPB

"E. & M. J. Metal and Mineral Markets," in its issue of Aug. 9, stated: "The sensational news of the destructive power of the atomic bomb, coupled with the announcement that Russia has declared war on Japan, caused most producers of non-ferrous metals to accept the view that the war will end soon. As a result of these developments, emphasis shifted to reconversion and there was growing impatience over controls. In zinc, the July statistics showed that stocks increased again. The limitation order on lead was eased moderately. Quicksilver prices were weak, declining $5 per flask because of uncertainty over developments in the Far East." The publication further went on to say in part as follows:

### Copper

Demand for copper for September shipment so far has been sufficient in volume to absorb the domestic output. The industry believes that a fair tonnage of MRC metal will be required to satisfy the demand, even though further cutbacks in the war program are likely. Reconversion in some lines is moving ahead rapidly, as in communications, and many believe that September consumption of copper will show improvement over August. The price situation remains unchanged. In the so-called free market in London the price of electrolytic has risen to around £70 per long ton.

### Lead

The War Production Board eased the lead restrictions last week to the extent that limitations on the use of lead chemicals for rubber compounding and gasoline refining were removed entirely, and production of red lead and white lead could be increased moderately in the third-quarter period. With the statistical position of lead improving, the industry's response to this move was that "it was a step in the right direction." Owing to keen competition in the pigments field, producers of white lead are anxious to step up their production as rapidly as possible. The amount of pig lead permitted for use in white lead in the third quarter has been increased from 15% to 20%.

Sales of lead for the last week amounted to 7,759 tons.

Stocks of lead at United States smelters and refineries, in tons, according to the American Bureau of Metal Statistics:

| | July 1 | June 1 |
|---|---|---|
| In ore, matte, and in process at smelters | 74,518 | 65,626 |
| In base bullion: | | |
| Smelters and refineries | 8,105 | 9,969 |
| Transit to refineries | 3,514 | 2,385 |
| Process at refineries | 14,743 | 12,954 |
| Refined pig lead | 31,350 | 31,732 |
| Antimonial lead | 6,102 | 6,756 |
| Totals | 138,332 | 129,422 |

Production of unrefined lead in Canada during the first five months of 1945 amounted to 139,044,502 lb., against 132,490,590 lb. in the Jan.-May period of 1944. Output by months, in pounds, follows:

| | 1944 | 1945 |
|---|---|---|
| January | 32,710,839 | 25,623,743 |
| February | 29,753,989 | 24,578,012 |
| March | 24,264,103 | 35,169,939 |
| April | 25,270,297 | 28,172,344 |
| May | 20,491,362 | 25,500,464 |

Canada produced 127,230,000 lb. of refined lead in the first five months of 1945, which compares with 131,138,000 lb. in the same period last year.

### Zinc

There was a fair demand for zinc, with consumers more and more inclined to look around for "free" metal instead of exercising the privilege of applying to WPB for part of their requirements.

Stocks of slab zinc in the hands of producers increased from 183,107 tons at the end of June to 197,004 tons at the end of July, the American Zinc Institute reports. Production in July exceeded total shipments by 13,897 tons. A summary of the July and June figures, in tons, follows:

| | July | June |
|---|---|---|
| Stock at beginning | 183,107 | 171,007 |
| Production | 65,806 | 66,607 |
| Production, daily rate | 2,123 | 2,220 |
| Shipments: | | |
| Domestic | 51,803 | *54,053 |
| Export | 106 | 454 |
| Totals | 51,909 | 54,507 |
| Unfilled orders | 16,656 | 16,666 |
| Stock at end | 197,004 | *183,107 |

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*Adjusted for inventory.

The peak in shipments of slab zinc was 94,494 tons moved during March of the current year.

### Uranium

An atomic bomb, possessing more power than 20,000 tons of TNT, was dropped on Japan by an American airplane on Aug. 6. The news, released by President Truman, also broke the silence imposed on all concerned on the part that uranium has played in what is described as the outstanding scientific discovery of all time. That the uranium atom had been split in two was known for some time, but knowledge of the feverish activity to apply this source of "cosmic" energy was a deep military secret. Research and work on the project in this country cost more than $2,000,000,000. Available supplies of uranium ore mined in Canada and the United States were taken over by the military authorities soon after Pearl Harbor and an open market in the mineral ceased to exist. Before the war uranium and uranium salts were used in the manufacture of luminous dials and other products, in the ceramics and glass industries, and in photography.

### Tin

Negotiations aimed at extending the Bolivian tin concentrate contracts another year have not yet been concluded. According to reports from Washington, the FEA is prepared to extend the agreement, but would like to insert provisions for modifying the terms should conditions call for a revision of the program.

The supply situation at present remains unchanged. WPB is deeply concerned with holding down consumption in the reconversion period.

Quotations here continued on the basis of 52c. per pound for Straits quality tin. Forward quotations were nominally as follows:

| | Aug. | Sept. | Oct. |
|---|---|---|---|
| Aug. 2 | 52.000 | 52.000 | 52.000 |
| Aug. 3 | 52.000 | 52.000 | 52.000 |
| Aug. 4 | 52.000 | 52.000 | 52.000 |
| Aug. 6 | 52.000 | 52.000 | 52.000 |
| Aug. 7 | 52.000 | 52.000 | 52.000 |
| Aug. 8 | 52.000 | 52.000 | 52.000 |

Chinese, or 99% tin, continued at 51.125c. per pound.

### Quicksilver

Transactions in quicksilver were few and far between and the price situation was generally described as confused. Spot metal sold at $131 per flask, New York, and in the Middle West at $130.50 per flask. On quantity business involving nearby metal it was possible to do $130 per flask, but consumers felt that this price was "subject to negotiation." Uncertainty over developments in the Far East continues to exert a strong influence on the market. Battery makers appear to be covered so far as their August and September requirements are concerned and they are not inclined to take on additional metal under prevailing uncertain conditions. Other consumers are reducing their inventories.

San Francisco advices state that falling prices and labor shortages are reducing production. Several properties are expected to shut down this month. The price on the Coast is nominal around $130 per flask.

### Silver

The London silver market was quiet last week and the price continued at 25½d. The New York Official for foreign silver was unchanged at 44¾c., with domestic metal at 70⅝c.

# Revenue Freight Car Loadings for the Week Ended Aug. 4, 1945 Decreased 22,361 Cars

Loading of revenue freight for the week ended Aug. 4, 1945, totaled 863,910 cars, the Association of American Railroads announced on Aug. 9. This was a decrease below the corresponding week of 1944 of 25,684 cars, or 2.9% and a decrease below the same week in 1943 of 8,223 cars or 0.9%.

Loading of revenue freight for the week of Aug. 4 decreased 22,361 cars, or 2.5% below the preceding week.

Miscellaneous freight loading totaled 383,346 cars, a decrease of 7,354 cars below the preceding week, and a decrease of 11,925 cars below the corresponding week in 1944.

Loading of merchandise less than carload lot freight totaled 104,399 cars, an increase of 892 cars above the preceding week but a decrease of 568 cars below the corresponding week in 1944.

Coal loading amounted to 164,419 cars a decrease of 8,656 cars below the preceding week, and a decrease of 10,450 cars below the corresponding week in 1944.

Grain and grain products loading totaled 63,651 cars a decrease of 4,198 cars below the preceding week but an increase of 11,352 cars above the corresponding week in 1944. In the Western Districts alone, grain and grain products loading for the week of Aug. 4 totaled 41,956 cars, a decrease of 1,702 cars below the preceding week but an increase of 5,579 cars above the corresponding week in 1944.

Livestock loading amounted to 13,457 cars, a decrease of 896 cars below the preceding week and a decrease of 2,212 cars below the corresponding week in 1944. In the Western Districts alone loading of livestock for the week of Aug. 4 totaled 9,795 cars, a decrease of 727 cars below the preceding week, and a decrease of 1,259 cars below corresponding week in 1944.

Forest products loading totaled 46,161 cars a decrease of 52 cars below the preceding week and a decrease of 3,905 cars below the corresponding week in 1944.

Ore loading amounted to 74,419 cars a decrease of 1,839 cars below the preceding week and a decrease of 7,746 cars below the corresponding week in 1944.

Coke loading amounted to 14,058 cars a decrease of 258 cars below the preceding week, and a decrease of 230 cars below the corresponding week in 1944.

All districts reported decreases compared with the corresponding week in 1944 except the Eastern. All districts reported decreases compared with 1943, except the Allegheny and Central Western.

| | 1945 | 1944 | 1943 |
|---|---|---|---|
| 4 Weeks of January | 3,001,544 | 3,158,700 | 2,910,638 |
| 4 Weeks of February | 3,049,697 | 3,154,116 | 3,055,725 |
| 5 Weeks of March | 4,018,627 | 3,916,037 | 3,845,547 |
| 4 Weeks of April | 3,374,438 | 3,275,846 | 3,152,879 |
| 4 Weeks of May | 3,452,977 | 3,441,616 | 3,363,195 |
| 5 weeks of June | 4,364,662 | 4,338,886 | 4,003,393 |
| 4 Weeks of July | 3,378,266 | 3,459,830 | 3,455,328 |
| Week of August 4 | 863,910 | 889,594 | 872,133 |
| Total | 25,504,121 | 25,634,625 | 24,658,838 |

The following table is a summary of the freight carloadings for the separate railroads and systems for the week ended Aug. 4, 1945. During the period 57 roads showed increases when compared with the corresponding week a year ago.

REVENUE FREIGHT LOADED AND RECEIVED FROM CONNECTIONS (NUMBER OF CARS) WEEK ENDED AUG. 4

| Railroads | Total Revenue Freight Loaded | | | Total Loads Received from Connections | |
|---|---|---|---|---|---|
| | 1945 | 1944 | 1943 | 1945 | 1944 |
| **Eastern District—** | | | | | |
| Ann Arbor | 346 | 294 | 255 | 1,492 | 1,349 |
| Bangor & Aroostook | 1,483 | 1,099 | 954 | 362 | 432 |
| Boston & Maine | 6,963 | 6,865 | 6,348 | 13,102 | 13,713 |
| Chicago, Indianapolis & Louisville | 1,133 | 1,312 | 1,404 | 2,001 | 2,116 |
| Central Indiana | 50 | 23 | 22 | 60 | 64 |
| Central Vermont | 1,119 | 1,086 | 725 | 2,161 | 2,400 |
| Delaware & Hudson | 4,728 | 5,036 | 6,582 | 12,698 | 12,758 |
| Delaware, Lackawanna & Western | 7,874 | 7,685 | 7,693 | 10,144 | 10,647 |
| Detroit & Mackinac | 243 | 241 | 182 | 173 | 144 |
| Detroit, Toledo & Ironton | 1.790 | 1,782 | 2,025 | 2,325 | 1,337 |
| Detroit & Toledo Shore Line | 381 | 309 | 329 | 2,448 | 2,914 |
| Erie | 12,014 | 13,103 | 13,247 | 16,462 | 17,562 |
| Grand Trunk Western | 3,873 | 3,898 | 3,627 | 7,909 | 8,224 |
| Lehigh & Hudson River | 139 | 143 | 151 | 2,897 | 2,648 |
| Lehigh & New England | 2,347 | 2,060 | 2,103 | 1,359 | 1,636 |
| Lehigh Valley | 8,674 | 9,165 | 8,451 | 10,580 | 16,136 |
| Maine Central | 2,825 | 2,354 | 2,370 | 2,892 | 2,569 |
| Monongahela | 6,249 | 6,154 | 6,377 | 279 | 368 |
| Montour | 2,539 | 2,591 | 2,332 | 23 | 16 |
| New York Central Lines | 50,638 | 50,758 | 56,148 | 51.639 | 56,554 |
| N. Y., N. H. & Hartford | 10,066 | 9,195 | 9,355 | 16,142 | 17,278 |
| New York, Ontario & Western | 956 | 1,262 | 1,265 | 3,200 | 3,311 |
| New York, Chicago & St. Louis | 6,981 | 6,745 | 7,018 | 15,484 | 16,458 |
| N. Y., Susquehanna & Western | 463 | 463 | 512 | 1,989 | 2,232 |
| Pittsburgh & Lake Erie | 7,801 | 7,490 | 7,704 | 9,217 | 9,179 |
| Pere Marquette | 5,347 | 5,385 | 4,916 | 7,058 | 7,797 |
| Pittsburgh & Shawmut | 880 | 874 | 901 | 31 | 22 |
| Pittsburg, Shawmut & North | 220 | 321 | 406 | 261 | 278 |
| Pittsburgh & West Virginia | 1,149 | 1,303 | 1,036 | 2,953 | 2,670 |
| Rutland | 377 | 364 | 319 | 1,285 | 1,145 |
| Wabash | 6,449 | 5,626 | 5,721 | 11,213 | 12,482 |
| Wheeling & Lake Erie | 5,885 | 5,967 | 5,211 | 4,293 | 4,478 |
| Total | 161,982 | 160,953 | 165,689 | 213,132 | 230,917 |
| **Allegheny District—** | | | | | |
| Akron, Canton & Youngstown | 749 | 704 | 764 | 1,118 | 1,340 |
| Baltimore & Ohio | 46,800 | 47,632 | 43,716 | 27,482 | 30,003 |
| Bessemer & Lake Erie | 6,512 | 6,629 | 6,002 | 2,079 | 2,252 |
| Buffalo Creek & Gauley | † | † | 251 | † | † |
| Cambria & Indiana | 1,401 | 1,279 | 1,755 | 6 | 7 |
| Central R. R. of New Jersey | 6,721 | 6,771 | 7,236 | 18,370 | 20,775 |
| Cornwall | 406 | 554 | 648 | 45 | 46 |
| Cumberland & Pennsylvania | 165 | 221 | 238 | 7 | 31 |
| Ligonier Valley | 106 | 153 | 146 | 71 | 31 |
| Long Island | 2,929 | 2,406 | 1,942 | 4,269 | 4,389 |
| Penn-Reading Seashore Lines | 1,835 | 1,753 | 1,895 | 2,296 | 2,534 |
| Pennsylvania System | 88,127 | 88,156 | 85,149 | 61,084 | 66,745 |
| Reading Co. | 14,536 | 14,089 | 16,591 | 27,201 | 29,790 |
| Union (Pittsburgh) | 17,718 | 19,531 | 20,978 | 7,417 | 7,448 |
| Western Maryland | 4,051 | 4,370 | 4,643 | 13,342 | 13,101 |
| Total | 192,056 | 194,248 | 191,954 | 164,787 | 178,492 |
| **Pocahontas District—** | | | | | |
| Chesapeake & Ohio | 26,718 | 29,831 | 28,188 | 14,333 | 14,050 |
| Norfolk & Western | 19,824 | 22,262 | 22,317 | 7,297 | 8,117 |
| Virginian | 4,449 | 4,420 | 4,740 | 2,209 | 2,293 |
| Total | 50,991 | 56,513 | 55,245 | 23,839 | 24,460 |
| **Southern District—** | | | | | |
| Alabama, Tennessee & Northern | 505 | 382 | 331 | 348 | 422 |
| Atl. & W. P.—W. R. R. of Ala. | 767 | 776 | 715 | 2,301 | 2,696 |
| Atlanta, Birmingham & Coast | 1,016 | 907 | 943 | 1,286 | 1,138 |
| Atlantic Coast Line | 9,903 | 9,684 | 10,903 | 9,047 | 9,451 |
| Central of Georgia | 3,786 | 3,787 | 3,778 | 4,187 | 5,272 |
| Charleston & Western Carolina | 616 | 616 | 447 | 1,610 | 1,686 |
| Clinchfield | 1,582 | 1,931 | 1,823 | 2,816 | 2,965 |
| Columbus & Greenville | 242 | 180 | 285 | 212 | 355 |
| Durham & Southern | 84 | 145 | 103 | 823 | 657 |
| Florida East Coast | 778 | 889 | 1,393 | 1,040 | 1,239 |
| Gainesville Midland | 54 | 56 | 46 | 109 | 99 |
| Georgia | 1,266 | 1,108 | 1,195 | 2,450 | 2,550 |
| Georgia & Florida | 693 | 548 | 698 | 643 | 684 |
| Gulf, Mobile & Ohio | 4,832 | 4,292 | 3,796 | 4,840 | 4,582 |
| Illinois Central System | 26,686 | 28,795 | 27,480 | 17,085 | 17,428 |
| Louisville & Nashville | 24,353 | 25,877 | 25,083 | 12,080 | 12,265 |
| Macon, Dublin & Savannah | 236 | 239 | 282 | 833 | 720 |
| Mississippi Central | 399 | 299 | 294 | 470 | 552 |
| Nashville, Chattanooga & St. L. | 3,168 | 3,067 | 3,176 | 4,523 | 4,647 |
| Norfolk Southern | 802 | 991 | 1,048 | 1,650 | 1,445 |
| Piedmont Northern | 460 | 380 | 385 | 1,464 | 1,146 |
| Richmond, Fred. & Potomac | 413 | 425 | 423 | 8,340 | 9,918 |
| Seaboard Air Line | 9,133 | 8,811 | 9,541 | 8,196 | 7,893 |
| Southern System | 24,384 | 25,511 | 22,170 | 24,534 | 24,927 |
| Tennessee Central | 567 | 694 | 538 | 858 | 765 |
| Winston-Salem Southbound | 118 | 130 | 101 | 1,121 | 985 |
| Total | 116,846 | 120,520 | 116,977 | 112,866 | 116,487 |
| **Northwestern District—** | | | | | |
| Chicago & North Western | 19,252 | 19,821 | 22,262 | 15,822 | 13,475 |
| Chicago Great Western | 2,557 | 2,669 | 3,210 | 3,615 | 3,622 |
| Chicago, Milw., St. P. & Pac. | 22,660 | 21,681 | 20,734 | 11,337 | 11,218 |
| Chicago, St. Paul, Minn. & Omaha | 3,831 | 3,385 | 4,213 | 4,258 | 3,914 |
| Duluth, Missabe & Iron Range | 25,527 | 27,983 | 29,108 | 241 | 263 |
| Duluth, South Shore & Atlantic | 912 | 722 | 973 | 906 | 522 |
| Elgin, Joilet & Eastern | 8.465 | 9,148 | 7,959 | 9,183 | 10,869 |
| Ft. Dodge, Des Moines & South | 384 | 388 | 441 | 80 | 129 |
| Great Northern | 21,496 | 25,203 | 26,165 | 10,115 | 6,539 |
| Green Bay & Western | 420 | 543 | 390 | 819 | 1,021 |
| Lake Superior & Ishpeming | 2,272 | 3,111 | 3,671 | 74 | 45 |
| Minneapolis & St. Louis | 2,123 | 2,009 | 2,001 | 2,674 | 2,512 |
| Minn., St. Paul & S. S. M. | 7,427 | 7,353 | 7,966 | 3,546 | 3,464 |
| Northern Pacific | 11,462 | 12,331 | 11,638 | 6,836 | 6,459 |
| Spokane International | 383 | 135 | 144 | 616 | 503 |
| Spokane, Portland & Seattle | 2,709 | 3,306 | 2,795 | 4,961 | 3,490 |
| Total | 131,880 | 139,788 | 143,670 | 75,083 | 68,045 |
| **Central Western District—** | | | | | |
| Atch., Top. & Santa Fe System | 27,479 | 28,168 | 21,355 | 15,644 | 14,293 |
| Alton | 3,876 | 3,840 | 3,481 | 4,043 | 4,651 |
| Bingham & Garfield | 337 | 450 | 569 | 75 | 78 |
| Chicago, Burlington & Quincy | 22,020 | 20,178 | 21,164 | 13,558 | 13,472 |
| Chicago & Illinois Midland | 3,217 | 3,109 | 3,089 | 970 | 882 |
| Chicago, Rock Island & Pacific | 13,782 | 14,344 | 11,796 | 14,235 | 14,495 |
| Chicago & Eastern Illinois | 3,050 | 2,884 | 2,678 | 4,784 | 6,483 |
| Colorado & Southern | 778 | 807 | 1,018 | 2,116 | 2,633 |
| Denver & Rio Grande Western | 3,641 | 4,087 | 4,146 | 7,161 | 5,327 |
| Denver & Salt Lake | 629 | 783 | 792 | 78 | 32 |
| Fort Worth & Denver City | 881 | 1,106 | 941 | 1,500 | 2,167 |
| Illinois Terminal | 2,051 | 2,638 | 1,829 | 2,255 | 2,301 |
| Missouri-Illinois | 1,108 | 1,218 | 1,202 | 597 | 758 |
| Nevada Northern | 1,457 | 1,772 | 1,785 | 92 | 102 |
| North Western Pacific | 966 | 1,142 | 1,209 | 1,008 | 957 |
| Peoria & Pekin Union | 6 | 3 | 10 | 0 | 0 |
| Southern Pacific (Pacific) | 33,323 | 34,034 | 32,521 | 16,090 | 16,129 |
| Toledo, Peoria & Western | 339 | 296 | 267 | 2,052 | 2,120 |
| Union Pacific System | 18,481 | 18,352 | 15,633 | 20,299 | 18,172 |
| Utah | 643 | 484 | 529 | 1 | 4 |
| Western Pacific | 2,118 | 2,109 | 2,197 | 5,506 | 4,547 |
| Total | 140,182 | 141,804 | 128,211 | 112,064 | 109,603 |
| **Southwestern District—** | | | | | |
| Burlington-Rock Island | 298 | 931 | 434 | 557 | 377 |
| Gulf Coast Lines | 4,100 | 5,663 | 5,299 | 2,272 | 2,380 |
| International-Great Northern | 2,446 | 2,640 | 2,290 | 3,044 | 3,854 |
| Kansas, Oklahoma & Gulf | * | * | 254 | * | * |
| Kansas City Southern | 3,688 | 5,528 | 5,021 | 3,284 | 2,999 |
| Louisiana & Arkansas | 3,098 | 3,894 | 3,401 | 2,780 | 2,561 |
| Litchfield & Madison | 308 | 313 | 391 | 1,461 | 1,321 |
| Midland Valley | 1,343 | 924 | 758 | 1,717 | 1,293 |
| Missouri & Arkansas | 173 | 84 | 162 | 399 | 356 |
| Missouri-Kansas-Texas Lines | 6,610 | 6,692 | 5,571 | 4,791 | 5,431 |
| Missouri Pacific | 18,295 | 18,558 | 16,813 | 18,610 | 19.497 |
| Quanah Acme & Pacific | 133 | 48 | 61 | 394 | 278 |
| St. Louis-San Francisco | 10,691 | 9,792 | 8,524 | 8,761 | 8,498 |
| St. Louis-Southwestern | 3,671 | 3,259 | 2,735 | 5,903 | 7,447 |
| Texas & New Orleans | 9,308 | 12,347 | 13,598 | 6,049 | 5,435 |
| Texas & Pacific | 5.668 | 4,976 | 4,989 | 6,433 | 7.896 |
| Wichita Falls & Southern | 118 | 90 | 70 | 47 | 44 |
| Weatherford M. W. & N. W. | 25 | 29 | 16 | 7 | 30 |
| Total | 69,973 | 75,768 | 70,387 | 66,464 | 69,697 |

*Included in Midland Valley Ry. †Included in Baltimore & Ohio RR.
**Note**—Previous year's figures revised.

# Weekly Statistics of Paperboard Industry

We give herewith latest figures received by us from the National Paperboard Association, Chicago, Ill., in relation to activity in the paperboard industry.

The members of this Association represent 83% of the total industry, and its program includes a statement each week from each member of the orders and production, and also a figure which indicates the activity of the mill based on the time operated. These figures are advanced to equal 100%, so that they represent the total industry.

STATISTICAL REPORTS—ORDERS, PRODUCTION, MILL ACTIVITY

| Period 1945—Week Ended | Orders Received Tons | Production Tons | Unfilled Orders Remaining Tons | Percent of Activity | |
|---|---|---|---|---|---|
| | | | | Current | Cumulative |
| April 7 | 203,891 | 146,832 | 604,720 | 92 | 94 |
| April 14 | 159,733 | 158,938 | 604,214 | 97 | 94 |
| April 21 | 125,708 | 162,040 | 564,631 | 98 | 95 |
| April 28 | 142,387 | 158.854 | 546,311 | 99 | 95 |
| May 5 | 223,162 | 161,764 | 605,892 | 97 | 95 |
| May 12 | 152,208 | 153,111 | 602,717 | 94 | 95 |
| May 19 | 126,285 | 158,532 | 565,867 | 97 | 95 |
| May 26 | 129,327 | 157,794 | 532,257 | 97 | 95 |
| June 2 | 168,204 | 153,359 | 546,211 | 93 | 95 |
| June 9 | 189,674 | 159,228 | 575,167 | 97 | 95 |
| June 16 | 129,618 | 159,230 | 537,182 | 96 | 95 |
| June 23 | 115,768 | 157,932 | 491,287 | 96 | 95 |
| June 30 | 166,083 | 156,447 | 499,505 | 96 | 95 |
| July 7 | 180,155 | 99,960 | 575,918 | 62 | 94 |
| July 14 | 151,085 | 145,797 | 575,134 | 90 | 94 |
| July 21 | 121,864 | 156,619 | 537,639 | 96 | 94 |
| July 28 | 127,772 | 156,519 | 507,758 | 95 | 94 |
| Aug. 4 | 223,467 | 153,694 | 577,024 | 94 | 94 |

**Notes**—Unfilled orders of the prior week, plus orders received, less production, do not necessarily equal the unfilled orders at the close. Compensation for delinquent reports, orders made for or filled from stock, and other items made necessary adjustments of unfilled orders.

# Increase in Mortgage Financing In NY District

During the first half of 1945, non-farm mortgage financing in the District served by the Federal Home Loan Bank of New York totalled $274,691,000, an increase of 26.6% over the same period last year, Nugent Fallon, President of the Bank, reported on Aug. 8. The total covers the activity of all types of mortgage lenders, including individuals as well as financial institutions, Mr. Fallon said. The average mortgage recorded in the six months amounted to $3,864, a gain of 6.9% over the average for the District in the first six months of 1944. Mr. Fallon stated that in view of current restrictions on new home building, the gain in dollar volume and average amounts reflects the financing of home purchases in crowded centers of war industry, as well as advancing real estate prices. It is further stated that:

Savings and loan associations, insurance companies, banks and trust companies, mutual savings banks and individuals registered an increase over their 1944 volume, rises ranging from 0.6% for insurance companies to 47.0% for savings and loan associations.

Individuals again led in participation in the total lending volume, with 32.8% of the aggregate.

These estimates are based on county reports of mortgage recordings of up to $20,000, compiled by the Federal Home Loan Bank Administration in Washington.

# Results of Treasury Bill Offering

The Secretary of the Treasury announced on Aug. 13 that the tenders of $1,300,000,000 or thereabouts of 91-day Treasury bills to be dated Aug. 16 and to mature Nov. 15, 1945, which were offered on Aug. 10, were opened at the Federal Reserve Bank on Aug. 13.

The details of this issue are as follows:

Total applied for, $2,005,975,000.

Total accepted, $1,314,474,000 (includes $57,077,000 entered on a fixed price basis at 99.905 and accepted in full).

Average price, 99.905, equivalent rate of discount approximately 0.375% per annum.

Range of accepted competitive bids:

High, 99.908, equivalent rate of discount approximately 0.364% per annum.

Low 99.905, equivalent rate of discount approximately 0.376% per annum.

(62% of the amount bid for at the low price was accepted.)

There was a maturity of a similar issue of bills on Aug. 16 in the amount of $1,307,396,000.

# Lumber Movement—Week Ended Aug. 4, 1945

According to the National Lumber Manufacturers Association, lumber shipments of 451 mills reporting to the National Lumber Trade Barometer were 4.5% above production for the week Aug. 4, 1945. In the same week new orders of these mills were 3.1% less than production. Unfilled order files of the reporting mills amounted to 109% of stocks. For reporting softwood mills, unfilled orders are equivalent to 37 days' production at the current rate, and gross stocks are equivalent to 32 days' production.

For the year to date, shipments of reporting identical mills exceeded production by 5.1%; orders by 8.7%.

Compared to the average corresponding week of 1935-1939, production of reporting mills was 4.8% more; shipments were 13.7% more; orders were 3.4% more.

# Items About Banks, Trust Companies

The Grace National Bank of New York announces the election as director of Frank C. Walker, of Scranton, Pa. He was formerly President of Comerford-Publix Theatres Corp., which operates a chain of theatres in New York and Pennsylvania. Mr. Walker served as Postmaster General under Presidents Roosevelt and Truman from 1940 until last June. He is soon to resume his former position with Comerford-Publix Theatres Corp. A native of Pennsylvania, Mr. Walker attended Gonzaga University at Spokane, Wash., and in 1909 was graduated from the University of Notre Dame, of which he is now a trustee. He later practiced law at Butte, Mont., in association with his brother in the firm of Walker and Walker.

Manufacturers Trust Company of New York announced on Aug. 13 that its European representative, H. W. Auburn, has been promoted from Assistant Vice-President to Vice-President. Mr. Auburn has been engaged in American banking in the foreign field during the major part of the last 19 years. Since 1937 he has been European representative of Manufacturers Trust Company. In November, 1940, he was given a leave of absence by the Trust Company in order to join the British Embassy in Washington on financial intelligence work. He was made a First Secretary of the British Embassy in Washington in May, 1943. Early in 1944 he was transferred to the British Embassy in Buenos Aires as a First Secretary and Financial Adviser. Since his recall by the bank in the fall of 1944, he has been stationed again in London.

Theodore Hetzler, Chairman of the Board of the Fifth Avenue Bank of New York, died on Aug. 12 at the Union League Club. He was 70 years of age. Born in New York City, Mr. Hetzler began as a messenger boy at the bank when he was 15 years old. He served as Assistant Cashier, Cashier and Vice-President until, when he was 40 years old, he was elected President of the bank. He was President of the bank until 1940, when he became Chairman of the Board, a position he held at his death. The New York "Times," from which we quote, also said in part:

"A few years before the outbreak of the Spanish-American War Mr. Hetzler enlisted in the 71st New York National Guard and later went to Cuba with that regiment, serving in all the battles before Santiago.

"In London, at the beginning of the first World War, he was elected Chairman of the American Committee, which arranged for the relief and shipment back to the United States of more than 25,000 Americans. The pressure of business finally made his own return necessary, and his place on the committee was taken by Herbert Hoover.

"Mr. Hetzler was for many years a collector of etchings. He was a member of the Artist's Aid Society and the National Sculpture Society. He became Treasurer in 1919 of a committee of artists and obtained funds to finance an exhibition of the works of American painters at the Luxembourg in Paris. He was also a past Treasurer of the Paris Chapter of the American Federation of Arts."

He was also a trustee of the Franklin Savings Bank.

Henry Krisch, Vice-President of the Public National Bank & Trust Co., at 39th St. and 7th Ave., New York, died on Aug. 9 in St. John's Hospital, Brooklyn. He was 47 years of age. He had been Vice-President of the bank for 12 years.

The New York State Banking Department announced on Aug. 3 that approval was given on July 31 to a certificate of increase of capital stock of the Royal Industrial Bank, of New York, from $225,000, consisting of 22,500 shares of common stock of the par value of $10 each, to $275,000, consisting of 27,500 shares of common stock of the par value of $10 each. The bank is located at 1134 Broadway.

The Chartered Bank of India, Australia and China announces that their Manila branch, Philippine Islands, was reopened for business on July 23.

The Midland Bank of London announces that they have appointed John C. Read, of their London managerial staff, to be their New York representative, as of Aug. 1, with an office at 44 Wall St.

The New York State Banking Department announces that application for permission to establish an agency of the Bank of China of Chungking, China, at 197 Worth St., Borough of Manhattan, City of New York, was filed Aug. 1.

The New York State Banking Department reported on Aug. 3 the filing of a certified copy of an Order, granted by the Supreme Court of the State of New York, County of New York, on July 26, 1945, declaring Hungarian American Bank dissolved and its corporate existence terminated.

Charles A. Gorman, management counsel, has been elected a trustee of the Fulton Savings Bank of Brooklyn, N. Y., Paul W. Connelly, President of the bank, announced, according to the Brooklyn "Daily Eagle" of Aug. 10.

Mr. Gorman is a director of Edward Ehrbar, Inc., and has served in an executive capacity with Abraham & Straus, Inc., H. Batterman Company and Bush Terminal.

The New York State Banking Department reports the filing of a certified copy of an Order, granted by the Supreme Court of the State of New York, County of Kings, on July 17, 1945, declaring the Midwood Trust Company of Brooklyn, N. Y., dissolved and its corporate existence terminated.

The liquidation of the affairs of the Mutual Trust Company of Westchester County at Port Chester, N. Y., was completed on July 24 by the New York State Superintendent of Banks, the corporation dissolved, and the corporate existence terminated, said the State Banking Department in its Aug. 3 bulletin.

Land Title Bank and Trust Company, of Philadelphia, has announced the retirement of an additional $750,000 par value of its preferred stock, making a total of $4,775,000 retired since June 30, 1940, with $2,500,000 remaining outstanding. Percy C. Madeira, Jr., President, said this additional retirement was made possible by continued liquidation of bank's real estate and mortgages, and its substantial holdings in cash, government bonds and other securities.

Robert C. Tait has been appointed Assistant Vice-President in the Commercial Banking department of the Union Trust Company, of Pittsburgh, it was stated in the Pittsburgh "Post Gazette" of Aug. 7, which stated that Mr. Tait was formerly First Vice-President of the Genesee Valley Trust Company, Rochester, N. Y. It is also stated that:

Clifford L. Potter, formerly of the Trust Investment Department, Marine Trust Company, Buffalo, has joined the Union Trust investment staff. Charles W. Borgerding, former Assistant Treasurer, has been appointed to the office of Comptroller, heading the bank's new Comptroller Department.

A meeting of the stockholders of the Hamilton National Bank, of Washington, D. C., will be held on Sept. 11 to vote on a proposal to increase capital from $1,000,000 to $1,750,000. In indicating this the Washington "Post" of Aug. 11 said:

"In a letter to shareholders Pres. Wilmer J. Waller said the following steps to effect the capital boost had been recommended by directors.

"1. Declaration of a 25% stock dividend to be distributed on the basis of one share for each four owned;

"2. An offering of 25,000 shares of new capital stock at a price of $30 a share on the basis of one share for each two shares owned.

"If the plan is approved by stockholders, Hamilton National will have outstanding 87,000 shares of $20 par value. Surplus account will be $1,750,000 and there will be approximately $700,000 in undivided profits and reserves, or total capital funds of roundly $4,200,000.

Richard H. Stout, President of the Morris Plan Bankers Association with headquarters in Washington, D. C., will join Industrial Bank of St. Louis on Oct. 1, as Vice-President in charge of Consumer Credit Relations, according to an announcement by Arthur Blumeyer, President. Starting in the banking business with the Louisville Trust Company in 1923, Stout joined the Morris Plan Bank of Louisville three years later, and became connected with the Association he now heads in 1938. In addition to being an official of the Morris Plan Bankers Association, Mr. Stout was likewise a Trustee of Consumer Banking Institute, a non-profit organization endowed by nationally known financial institutions and dedicated to the fullest possible development of sound consumer credit as an integral part of our national economy.

The Baltimore "Sun" reports that the sale of 5,000 additional shares of common stock of the Towson National Bank, of Towson, Md., was quickly oversubscribed, Samuel P. P. Cassen, Vice-President of the bank, announced on Aug. 9. The advices added:

"The new stock, authorized by shareholders at a special meeting last June, increases the capital stock of the bank from $100,000 to $150,000, Mr. Cassen said.

"The increase in capital, it was noted, is in line with the bank's growth of deposits, which have risen in the last two years from $2,799,083 to $5,548,721."

P. H. McClelland, manager of the Euclid-Ivanhoe branch of the Cleveland Trust Co., of Cleveland, has been elected an Assistant Vice-President of the bank and will supervise 45 branch offices, says President George Gund. R. E. Rylander, manager, Mayfield-Lee office, shifts to the Euclid-Ivanhoe post, said the Cleveland "Plain Dealer" of Aug. 7, which also stated, in part:

"Mr. McClelland began his banking career in 1913 with the Oberline Banking Co. He joined the Garfield Savings Bank in 1915 came to Cleveland Trust in the merger of those institutions in 1923.

"He has been Chairman of the Cleveland War Price and Ration Board since its inception in December, 1941, is a director of the East Cleveland Board of Education and Chairman of its finance committee.

"Mr. Rylander joined Cleveland Trust 25 years ago at the St Clair-138th office and began his banking career with the Sheffield (Pa.) National Bank in 1917.

Edwin L. Bruce, Vice-President and general manager of the E. L. Bruce Lumber Co., was elected to the board of directors of the Union Planters National Bank & Trust Co., of Memphis, Tenn., on Aug. 9, Vance J. Alexander, President of the bank, announced. This is learned from the Memphis "Commercial Appeal," which also said:

"Mr. Bruce succeeds his brother, the late Robert G. Bruce, former President of the E. L. Bruce Co. Mr. Bruce was born in Kansas City, Mo., and was in charge of the Bruce plant in Little Rock before coming to Memphis as Vice-President and general manager in 1928."

William J. Riechers, manager of the Tillamook branch of the First National Bank of Portland, Ore., announced his retirement from that position on Aug. 3, according to the Portland "Oregonian," which also said in part:

"At the same time promotion of Irvie E. Keldson from assistant manager to manager of that branch was revealed.

"Mr. Riechers was President of the old First National Bank of Tillamook. He became manager of the branch when the First National of Tillamook was purchased by the First National of Portland."

The directors of Westminster Bank Limited of London announced on July 31 the retirement, after more than 45 years' service, of L. P. Meredith, a joint general manager of the bank.

## Business Failures in July

Business failures in July were higher in number and amount of liabilities involved than in June, but lower in number, and higher in amount than in July a year ago. Business insolvencies in July according to Dun & Bradstreet, Inc., totaled 72 and involved $3,659,000 liabilities as compared with 61 in June involving $3,198,000 liabilities and 91 involving $3,559,000 in July a year ago.

All groups except the manufacturing group, which had the same number of failures in July as in June, had more failures in July than in June. When the amount of liabilities is considered only the wholesale and construction groups had more liabilities involved in July than in June.

Manufacturing failures in July numbered 19, the same as in June, but liabilities involved were down to $1,665,000 in July from $2,420,000 in June. Wholesale failures in July numbered 5 with $309,000 liabilities as compared with 4 with $48,000 liabilities in July. Retail trade insolvencies in July numbered 30 with $468,000 liabilities against 28 in June with $515,000 liabilities. In the construction group failures in July numbered 9, with $1,135,000 liabilities, which compares with 5 in June with only $81,000 liabilities. Commercial service failures in July were up to 9 from 5 in June, but liabilities involved were down to $82,000 in July from $134,000 in June.

When the country is divided into Federal Reserve Districts, it is found that the Boston, Chicago, Minneapolis and San Francisco Reserve districts had more failures in July than in June, the Richmond, Atlanta and Kansas City Reserve Districts had the same number and the remaining districts, outside of the Dallas Reserve District which did not have any, had fewer failures in July than in June. When the amount of liabilities involved is considered it is seen that the New York, Philadelphia, Richmond and St. Louis Reserve districts were the only districts that had less liabilities involved in July than in June, with the exception of the Dallas Reserve District which did not have any failures in either month.

# Grew Denies Plans for Loan to Britain

Denial of published reports that there are any immediate plans to ask Congress to approve a $3,000,000,000 to $5,000,000,000 credit to Great Britain, was made on Aug. 5 by Acting Secretary of State Joseph C. Grew, who, however, asserted that this country should help solve Britain's financial problems "in all reasonable ways." United Press advices from Washington Aug. 5, from which we quote, further said:

"He wrote Representative Emanuel Celler (Democrat), New York), that Britain had not approached the State Department about a loan, "nor have we any present plans for requesting legislation to authorize such a credit."

However, he added: "The department believes that serious consideration should be given to any request the British might make for credit on a proper scale and appropriate terms."

Mr. Celler had written Secretary of State James F. Byrnes for information about a New York "Times" dispatch which stated that Congressional approval of a loan would be sought.

Mr. Grew did not close the door to a Congressionally approved loan, but he told Mr. Celler that the State Department would not favor credits merely to relieve Britain's sterling indebtedness, "nor would we feel it advisable to grant large credits to Britain merely to make dollars available to members of the 'sterling bloc' who may lack dollars to make purchases outside the sterling area."

Secretary Grew's letter, as given in the United Press accounts, said in part:

"Britain will emerge from the war with very large sterling indebtedness, which aggravates her problem of restoring international equilibrium. The Department believes that we should assist in all reasonable ways in efforts to solve this difficult financial problem, in order to restore sound international economic conditions within the shortest possible time.

"The extension of the trade agreements act and the adoption of the Bretton Woods agreements, both of which the Department has strongly supported, are, it should be noted, fundamental steps toward this end. The strengthened trade agreements act will help expand international trade on a multilateral basis and, thereby, assist Britain in balancing her international accounts without the use of restrictive trade policies. The monetary fund will provide the countries of the world, including Great Britain, with additional liquid reserves when required, to assist in maintaining stable currencies without restrictive exchange practices. The international bank should play an important role in expanding world trade through stimulus to sound international investment. The bank could also extend direct credits to Britain should Britain choose to avail herself of its facilities.

"Beyond these measures, the Department believes that serious consideration should be given any request the British might make for credit on a proper scale and appropriate terms.

* * *

"We feel that any credit granted by this country to Great Britain should be accompanied by satisfactory arrangements with respect to the timely relaxation of the restrictive financial and trade practices which have grown up of necessity during the war."

## 2-Cent Roosevelt Stamp

Postmaster Albert Goldman announces that the 2-cent denomination stamp of the Roosevelt Memorial Series will be placed on sale at Warm Springs, Ga., on Aug. 24. The stamp will bear the portrait of Franklin Delano Roosevelt and the Roosevelt cottage at Warm Springs, Ga.